

INVESTMENT BOARD NEPAL

PROJECT BANK GUIDELINE

FRAMEWORK FOR IDENTIFICATION, SCREENING, SELECTION,
PRIORITIZATION AND APPRAISAL OF PPP PROJECTS



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Foreword

Investment Board Nepal (IBN) has developed IBN Project Bank Guideline: Framework of Identification, Selection, Screening, Appraisal, and Prioritization of PPP Projects. It is a major accomplishment; the objective is to develop and institutionalize a system of identification, selection, and prioritization of a pipeline of bankable and credible projects for execution in Public Private Partnership (PPPs).

In line with the spirit of the 15th Periodic Plan (FY 2019/20 – 2023/24), Public Private Partnership and Investment Act, 2019, and IBN Strategic Plan, the Guideline paves the way for institutionalizing a transparent and robust decision-making process to build a repository of sustainable, credible, and bankable PPP projects for attracting quality investment.

The Office of the Investment Board Nepal will take on the responsibility of implementing the Guideline. I also believe that this Guideline will be a ready reference for developing a sustainable pipeline of PPP projects by the



relevant federal government agencies, and provincial and local governments.

I appreciate the efforts of Chief Executive Officer and the entire OIBN team who were involved in the preparation of this Guideline.

A handwritten signature in black ink, reading 'Sher Bahadur Deuba'.

Sher Bahadur Deuba

Prime Minister and Chairperson,
Investment Board Nepal
Government of Nepal



Message

Investment Board Nepal (IBN) has formulated IBN Project Bank Guideline: Framework of Identification, Selection, Screening, Appraisal, and Prioritization of PPP Projects with the objective of developing a Project Bank as mandated by the Public Private Partnership and Investment Act, 2019.

Nepal's 15th Periodic Plan estimates an investment of over NPR Rs. 9,246 billion for the Plan period, of which 55.6 percent is expected from the private sector, including FDI. The private sector is expected to contribute about 36 percent of the total investment requirement to attain Nepal's Sustainable Development Goals by 2030. In this regard, the IBN Project Bank would play a pivotal role in attracting investors and securing financing for the developmental goals of the country.

The Guideline will provide a sound basis for establishment of the IBN Project Bank, it compliment IBN's efforts to achieve greater efficiency in the implementation of PPP projects and create



opportunities for the private sector to contribute towards national development objectives. I believe the Guideline would aid in increasing investors' confidence in IBN projects and ensure success of procurement and completion of projects within predetermined time, cost and quality.

I would like to thank Chief Executive Officer and his team for formulating this important document.

A handwritten signature in black ink, appearing to be "Janardan Sharma".

Janardan Sharma "Prabhakar"

Minister for Finance and Vice
Chairperson, Investment Board Nepal
Government of Nepal

Preface

I am glad to present the IBN Project Bank Guideline: Framework of Identification, Selection, Screening, Appraisal, and Prioritization of PPP Projects, as mandated by the Public-Private Partnership and Investment Act (PPPIA), 2019.

The main objectives of the Guideline are to create a well-planned pipeline of bankable infrastructure projects; to adopt a bottom-up approach for enhancing project readiness to attract quality investment; and to streamline the development of infrastructure projects. It presents a systematic, transparent, and robust framework for screening and developing a pipeline of PPP projects.

This internally developed Guideline also incorporates widely accepted and applied tool and analysis such as the World Bank's Project Screening and Assessment Tool (PSAT) and Value for Money (VFM) analysis.

I am confident that the Guideline will contribute towards attracting quality investment in the development of transforma-



tive projects. It therefore serves the aim of IBN to accelerate investment in transformative infrastructure across sectors by promoting and managing PPP projects and facilitating private investment in infrastructure.

I thank the entire team of the Office of the Investment Board Nepal for their untiring efforts in bringing the Guideline in the present form.

A handwritten signature in black ink, appearing to read 'Sushil Bhatta', with a stylized flourish at the end.

Sushil Bhatta

Chief Executive Officer
Office of the Investment Board Nepal

Acknowledgements

The IBN Project Bank Guideline was prepared by the Office of the Investment Board Nepal (Government of Nepal) under the leadership of Chief Executive Officer Mr. Sushil Bhatta.

OIBN acknowledges the constant support and guidance of Mr. Amrit Lamsal, Joint Secretary IBN, for his valuable input and feedback and OIBN's Under Secretary (Admin) Mr. Ramesh Adhikari for providing substantive inputs and supporting team coordination.

The task force led by Mr. Sagar Raj Goutam, Senior Divisional Engineer of OIBN, and coordinated by Mr. Vijay Sharma undertook the responsibility for developing the guideline with the core team of the Project Development and Management Unit comprising of Ms. Pragya Adhikari, Ms. Ranjeeta Acharya, Mr. Axit Raj Poudyal, and Mr. Hemant Tiwari. We would like to thank the technical support provided by Ms. Reshma Pandey, Ms. Pritha Regmi, Mr. Bikash Kabariya, Mr. Neelesh Shrestha, Mr. Ghanashyam Khatiwada, and Mr. Manish Gyawali. We would

also like to thank Mr. Jayandra Shrestha, the technical advisor, for his significant technical input and guidance in developing this guideline.

We would like to thank our development partners FCDO for providing technical assistance and the World Bank for providing technical support for the development of the structure of the guideline specifically with respect to capacity development initiatives and collaborative efforts in the development of a customized version of PSAT for the IBN Project Bank, as well as the VFM analysis framework.

We would like to thank Mr. Ujjwal Gajurel, Mr. Abhaya Kant Sigdel, Mr. Sharad Sharma, Mr. Ganesh Acharya, and Mr. Sourav Dhungana for their support in developing this Guideline. Finally, OIBN would like to thank the entire OIBN team and representatives from different line agencies for their valuable input and feedback during the validation workshop. IBN also thanks the EU-supported Investment Support Facility for editorial support.

Glossary of Terms

FEASIBILITY STUDY: A comprehensive and detailed report on the proposed project that analyses the best solution from the prefeasibility phase. The aim of the feasibility study is to gauge the viability of the project and help in obtaining a decision from the IBN Board to proceed to market and showcase the potential viability of the project to investors.

PREFEASIBILITY STUDY: A report that assesses the initial feasibility of a proposed project for investment in terms of the soundness of its technical design, costs and benefits, social and environment impacts, legal and regulatory environments, institutional and financial aspects, and any other factors. It is a preliminary, but systematic analysis of the many salient aspects of the project. It is based either entirely on secondary data or limited primary data and features high level design analysis. It leads to the shortlisting of the best options and determines a path forward for a more comprehensive feasibility study.

PROJECT BANK: A depository of credible and bankable projects for public-private partnership (PPP) investments selected through a predetermined, structured, systematic, and transparent process for the identification, selection, ranking, appraisal, and prioritization of projects as per the guidelines developed by the Office of the Investment Board Nepal.

PROJECT CONCEPT NOTE FORM: A standard form that includes succinct in-

formation on a project from the information available in its prefeasibility report.

PROJECT CONCEPT NOTE: A report that provides specific customized information on a project which provides decision-makers a reasonable basis for choosing to move the project to the second stage of screening and ranking (Gate 2). It is based on the PFS and is used to filter projects based on whether it conforms to the specific parameters devised by IBN.

PROJECT IDEA NOTE: A short document developed for standardizing information on projects which were identified/collected through various sources and are at different stages of preparation.

PROJECT SCREENING AND ANALYTICS TOOL (PSAT): A decision-making tool for project screening and analysis that was developed by the World Bank and has been implemented and customized for the IBN Project Bank.

PUBLIC SECTOR COMPARATOR (PSC): A counterfactual term that assesses the total cost of a project developed in the traditional way (not using PPPs). In VFM analysis, the PSC is used as a benchmark to measure the net benefits of a PPP.

RISK ASSESSMENT: The assessment assists in identifying the overall risks associated with the project and helps in providing a systematic examination of the

various problems, challenges and hazards that may arise during the development and implementation of the project.

VALUE FOR MONEY (VFM): VFM includes qualitative and quantitative approaches to assess a range of project outcomes not only in terms of price, but also in terms of increased benefits to the end-users, greater certainty of the financial outcome ensuring assets and services can be delivered at a specified level and takes into consideration long-term

service needs. VFM analysis helps governments decide whether or not to undertake proposed projects as Public-Private Partnerships.

VIABILITY GAP FUND: Government support extended for the construction, operation, and expansion of a project that yields positive economic returns in the long run and is important from an infrastructure perspective but is not financially viable without government support.

Executive Summary

The main purpose of the IBN Project Bank Guideline is to streamline the inclusion of bankable and credible projects in the IBN-PB. It adopts a structured and systematic process based on the project's technical feasibility and its financial and economic viability in attracting private sector investment. The guideline was prepared after reviewing various publications and guidelines prepared by national and international agencies and scholars. It intends to create a well-planned pipeline for bankable infrastructure projects and foster a conducive investment environment. The guideline adopts a bottom-up approach to enhance project readiness and attract domestic direct investment (DDI) and foreign direct investment (FDI) in PPP projects. There are four stages in the process of selecting projects for the IBN Project Bank.

The first stage involves the identification of potential projects and the generation of a long list of projects from five different sources: (a) existing project inventory lists at OIBN, (b) public calls, (c) proposals from the private sector, (d) projects received from sectoral line agencies including provincial and local governments, and (e) projects identified by the Public-Private Partnership and Investment Act 2019. A project idea note (PIN) is developed for each project to standardize the information collected from these different sources to help in the screening of projects.

During the second stage, projects undergo a screening, selection, and rank-

ing process. During this stage, projects are required to first pass the strategic fit assessment (Gate 1) screening criteria to be included in a shortlisted project list. Prefeasibility studies are only conducted for short-listed projects. The different screening criteria considered for Gate 1 are: (a) IBN Mandate, (b) project falls under national/sectoral priority or is a project of strategic importance, (c) project in which investor selection and tendering has not been initiated, and (d) project does not fall under investment restricted categories. Project concept notes (PCN) are developed after conducting prefeasibility studies. Thereafter, the projects are assessed through the prefeasibility screening and ranking criteria (Gate 2) which includes: (a) technical prefeasibility, (b) environmental sustainability, (c) social sustainability, (d) economic prefeasibility, (e) financial prefeasibility and (f) legal analysis. The final output is a ranked list of projects which are then prioritized for feasibility studies. Gate 3 includes a questionnaire-based tool for the prioritization of projects through: a) risk assessment and b) qualitative VFM analysis parameters. Feasibility studies are conducted for the projects that are then prioritized.

During the third stage, projects are appraised and prioritized for inclusion in the IBN Project Bank after the completion of the feasibility study (Gate 4). Project appraisal is the process of analysing and evaluating the technical, economic, commercial, environmental, social, and legal feasibility of a project. It enables an

investor to take a decision on investment considering the project's long-term effects, design optimization, structure, and impact. The IBNPB PSAT is used as an appraisal tool to assess projects using various combinations of qualitative and quantitative information. Projects are appraised and assessed through various parameters such as strategic suitability,

preliminary feasibility, risk assessment, PPP suitability, and fiscal affordability.

Finally, in the fourth stage, projects that are prioritized through the appraisal process are included in the IBN Project Bank, following an approval from the IBN Board, to create a depository and pipeline of bankable and credible projects.



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Abbreviations and Acronyms

AAR	Average Annual Requirement
APPIIC	Accelerating Public and Private Investment in Infrastructure
BT	Build and Transfer
BOT	Build, Operate and Transfer
BOOT	Build, Own, Operate and Transfer
BTO	Build, Transfer and Operate
DOT	Development, Operate and Transfer
DPR	Detailed Project Report
DSCR	Debt Service Coverage Ratio
EA	Environmental Assessment
EoI	Expression of Interest
EVI	Economic Vulnerability Index
FDI	Foreign Direct Investment
FITTA	Foreign Investment and Technology Transfer Act 2019
FS	Feasibility Study
FVA	Financial Viability Assessment
FY	Fiscal Year
GDP	Gross Domestic Product
GoN	Government of Nepal
HAI	Human Assets Index
IBN	Investment Board of Nepal
IBNPB	Investment Board Nepal Project Bank
IBNPBMIS	IBN Project Bank Management Information System
ICT	Information and Communication Technology
IEA	Industrial Enterprise Act
IPA	Investment Promotion Agency
IRR	Internal Rate of Return
LDCs	Least Developed Countries
LBOT	Lease, Build, Operate and Transfer
LOT	Lease, Operate and Transfer
MOT	Management, Operate and Transfer
MSA	Market Sounding Assessment
NPB	National Project Bank
NPC	National Planning Commission
O&M	Operate and Manage
ODA	Official Development Assistance
OIBN	Office of Investment Board Nepal
PCN	Project Concept Note
RFP	Request for Proposal
ROT	Rehabilitation, Operate and Transfer
PIF	Project Information Form

PIN	Project Idea Note
PPC	Provincial Policy and Planning Commission
PPP	Public-Private Partnership
PPPAC	Public-Private Partnership Appraisal Committee
PPPIA	Public-Private Partnership and Investment Act 2019
PPPIR	Public-Private Partnership and Investment Regulation 2077
PPM	Project Portfolio Management
PPMO	Public Procurement Monitoring Office
PRA	Project Readiness Assessment
PSAT	Project Screening and Analytics Tool
PSC	Public Sector Comparator
SDG	Sustainable Development Goals
ToR	Terms of Reference
TVA	Technical Viability Assessment
VFM	Value for Money



INTRODUCTION TO THE GUIDELINE

Established in 2011, the Investment Board Nepal (IBN) is a high-powered government body chaired by the Right Honorable Prime Minister. It functions as a central, fast-track government agency that facilitates economic development in Nepal by creating an investment-friendly environment and mobilizing and managing domestic and foreign investment.

IBN provides a one-window facility to domestic and foreign investors pursuing large-scale projects. It selects investment proposals, facilitates investment, coordinates between various ministries, and monitors the progress of approved projects. As the private face of the government, it leads the promotion of investment, supports investors, signs fair and bankable contractual agreements with developers, and cooperates with the government in facilitating the execution of the agreements. IBN actively works to attract and mobilize private sector investment including FDI in various sectors including energy, tourism, transportation, urban infrastructure, industry, agriculture, ICT, education, and health.

The Public-Private Partnership and Investment Act 2019 (PPPIA) gives the Office of the Investment Board of Nepal (OIBN) a broad mandate to fulfil the role of a public-private partnership agen-

cy, as well as an investment promotion agency (IPA). The main objective of the PPPIA 2019 is to mobilize domestic and external private investments, promote PPP, support the development of physical infrastructure, and enhance the industrialization process.

IBN plays the role of an investment approval agency and facilitates large-scale investment projects. Section 3 of the PPPIA 2019 states that IBN shall approve investments for projects with cost estimates of NRs. 6 billion or more. It is also responsible for strengthening and enhancing the prerequisites for attracting and realizing private sector investment in mega projects.

The 15th Periodic Plan envisions Nepal graduating from a Least Developed Country (LDCs) status by 2022 and achieving its Sustainable Development Goals (SDGs) by 2030. However, realizing Nepal's economic aspiration remains an arduous task. It faces an acute shortage of resources to fill the investment gap of USD 20.25 billion annually in the quest to graduate.¹ Estimates of the World Bank indicate that Nepal would need to invest around 10-15 percent of its GDP annually over the next decade to attain its economic targets.² IBN has the responsibility of attracting large-scale investments,

¹ National Planning Commission, The Fifteenth Plan (Fiscal Year 2019/20 – 2023/24), Kathmandu, March 2020, https://www.npc.gov.np/images/category/15th_plan_English_Version.pdf

² World Bank, Nepal Infrastructure Sector Assessment: Private Sector Solutions for Sustainable Infrastructure Development, Washington DC, 2019, <http://documents1.worldbank.org/curated/en/685161568039416684/pdf/Nepal-Infrastructure-Sector-Assessment-Private-Sector-Solutions-for-Sustainable-Infrastructure-Development.pdf>

which are critical to ensure Nepal's graduation from the LDC status, and to create the foundation for becoming a middle income country before 2030. Nepal also aims to secure a double-digit economic growth of 10.3 percent by 2024/25.³

The 15th Periodic Plan estimates that Nepal would need 55.6 percent (AAR - USD 9.32 billion) investment from the private sector during the planned period. Hence, private sector investment will have to play a crucial role if Nepal is to achieve the country's development goals. In order to attract, encourage, and secure quality investment, Nepal needs to develop a pipeline of credible, bankable, and investible projects to foster economic development and prosperity. So far, Nepal has not been able to scale up and attract quality investment by providing opportunities that cater to the appetite of private investors, which has also adversely impacted the overall infrastructure development process.

In order to secure quality investments, Nepal would need to step away from an unstructured and quantity-oriented approach to project development to a more structured, evidence-based, and quality-oriented approach to support the attainment of Nepal's long-term socio-economic goals.

As provisioned in PPPIA 2019, the OIBN has the legal mandate to establish a PPP unit and Project Bank. The law requires the OIBN to identify, study, and prepare project lists on a regular basis for inclusion in the Project Bank. The IBN Project Bank aims to strengthen and enhance the efficiency and effectiveness of IBN as an organization for identification, screening, ranking, appraisal, prioritiza-

tion, and development of projects, and to effectively implement them in a transparent and competitive manner.

The IBN Project Bank is envisioned to be a depository of credible and bankable projects for investments through public-private partnerships. The projects are selected through a predetermined structured, systematic, and transparent process of identification, selection, ranking, appraisal, and prioritization developed by the OIBN.

The IBN Project Bank has the following objectives:

- To create a well-planned pipeline of bankable infrastructure projects which are critical for national economic interest.
- To adopt a bottom-up approach for enhancing project readiness to attract domestic direct investment (DDI) and foreign direct investment (FDI) in infrastructure projects.
- To streamline the development of infrastructure projects received through various line agencies based on the appropriate development/operation modality.

The IBN has initiated the process to set up the IBN PPP Unit and the institutional mechanism for the IBN Project Bank. The PPP Unit is envisioned to be the focal point for the identification, collection/compilation, screening, ranking, appraisal, and prioritization of projects in close coordination with line ministries, NPC, and provincial and local governments.

The identification, selection, and approval of PPP projects with strategic importance from a national development

³ National Planning Commission, The Fifteenth Plan (Fiscal Year 2019/20 - 2023/24), Kathmandu, March 2020, https://www.npc.gov.np/images/category/infographics__compressed.pdf

perspective is the sole responsibility of the IBN Board. The OIBN recommends projects to the Board for inclusion in the Project Bank and carries out the feasibility studies on their implementation and financial arrangements. A fully functional IBNPB will be in place by 2022/23. The following benefits can be realized from the establishment of IBN PPP Unit and the IBNPB:

1. Help to create a pipeline of well-planned credible, bankable, and investable projects created through a predictable and transparent evidence-based system that is expected to build investor confidence and increase credibility among concerned stakeholders.
2. Function as a tool for better governance leading to the creation of opportunities for cohesive collaboration between public and private sector and act as a catalyst for achieving developmental and economic outcomes through the identification, selection, ranking, and prioritization of strategically aligned projects.
3. Ensure effective resource allocation and timely execution during the development of projects.
4. Increase government ownership as projects are developed through a systematic and transparent system with cohesive collaboration amongst relevant government agencies and concerned stakeholders.

Rationale for the guideline

IBN Project Bank guideline is essential for establishing a predictable, transparent, efficient, and accessible system. The guideline can facilitate the identification, screening, ranking, apprais-

al, prioritization, and selection of IBN mandated projects based on economic, financial, social, and environmental parameters for national development. The IBNPB provides a simplified system for the identification and development of strategic projects under the PPP modality and compliments IBN's efforts to achieve greater efficiency in implementing PPP projects, while creating opportunities for the private sector to contribute towards the national development objectives. It also ensures an evidence-based project development approach to help make informed and rational decisions in the process of identifying and developing credible and bankable projects for the IBN.

Legal mandate

The Public-Private Partnership and Investment Act 2019 (PPPIA) and Public-Private Partnership and Investment Regulation 2020 (PPPIR) require the IBN and the Government of Nepal to identify and approve a list of projects to be developed under PPP and private investment. The identification of such projects is carried out by the PPP Unit and Investment Unit as per Section 14 and Section 15 of the PPPIA 2019.

Section 14 of the PPPIA requires the PPP Unit to conduct feasibility studies, create a Project Bank, and update the projects listed under PPP. First, the authorities are required to identify projects to be developed under PPP pursuant to Section 20 of the PPPIA. Second, the list of projects to be developed under PPP needs to be approved by the IBN Board or the concerned authority pursuant to Section 21 of the PPPIA. The concerned authorities define the form of the PPP (BT, BOT, BOOT, etc.) for implementation pursuant to Section 17 of the PPPIA. Lastly, upon approval of the list of projects, the concerned au-

thorities are required to publish the list of projects.

Section 15 of the PPPIA requires the Investment Unit to study and prepare a list of feasible projects to be developed under private investment. First, pursuant to Section 33 of the PPPIA, projects that require an investment of NRs. 6 billion and above are identified by the OIBN in coordination with concerned authorities and the private sector. The Investment Board is then required to approve the projects for implementation pursuant to Section 34. Unlike PPP projects, projects to be developed under private investment are not required to be published.

Section 13 of the PPPIR requires concerned authorities to update the list of PPP projects. This section further requires them to specify the priority order when updating details in the listed projects. A preliminary feasibility study is required for all listed projects pursuant to Section 14 of the PPPIR. Section 14 outline the content requirements of the preliminary feasibility study report.

Section 33 of the PPPIR deals with the identification and approval of projects to be developed under private investment. Pursuant to this section, investors are required to submit a detailed project proposal to the IBN Board.

Section 28 of the PPPIA included provisions for unsolicited projects. As per this provision a proponent may submit an unsolicited proposal in the prescribed format for implementing a project under PPP after the payment of a prescribed fee. The proposal is evaluat-

ed by the evaluation committee mentioned in sub-section (1) of Section 27 of the PPPIA and may provide a survey license or approval for a study on the development or operation of the project. As such, sub-section (4) of Section 28 also has a provision for a Swiss Challenge⁴ in case the concerned authority finds it advantageous to approach unsolicited proposals through a competitive basis for implementation through PPP.

As matters stand, Section 29 of the PPPIA enables project implementation through direct negotiations in case project proponents could not selected after calling an Expression of Interest (EoI) or Request for Proposal (RFP) at least twice. Furthermore, sub-section (2) of Section 29 elucidates that projects may also be implemented under direct negotiations meeting one or more of the following criteria: (a) have no possibility of competition owing to the nature and costs of the project, (b) involve new concepts or technology, (c) are selected for implementation on a national priority basis, and (d) are not appropriate to adopt the procedures of the PPPIA.

Objective of the guideline

This guideline was developed to share information on the development of the IBN Project Bank to be proposed to the IBN Board. Upon approval, it is to be used by the OIBN and is also expected to serve as reference for other line agencies at the local, provincial, and federal levels, development partners, domestic and foreign investors, private sector organizations, and relevant public entities.

⁴ "The method of evaluation of any unsolicited proposal, in any manner or procedure even by calling to third party, received by any government agency for any project of service sector or of roads, railways and so on with the objective of receiving better quality of proposal than that unsolicited proposal." Taken from Section 28 (4) of the Public-Private Partnership and Investment Act 2019, https://ibn.gov.np/wp-content/uploads/2020/04/PPPIA2075-English.pdf?_t=1597386415

Purpose of the guideline

The purpose of the guideline is to provide a quick, reasonable, and accessible reference on the IBNPB. It is expected to equip key officials with the appropriate decision-making tools and techniques at various stages of the project selection process for the IBNPB.

Scope of the guideline

The scope of the guideline covers the following activities:

- i) Collection and identification of infrastructure projects that complement sector-specific strategies or national and provincial socio-economic development programs that are aligned with the long-term national strategic vision. These projects are assessed for strategic fit.
- ii) Screening and ranking of projects that qualify through the strategic fit assessment for prefeasibility. They are then screened and ranked on the basis of technical, environmental, social, economic, financial, and legal prefeasibility parameters.
- iii) Undertake risk assessment, qualitative VFM analysis, and regional inclusiveness assessment to prioritize projects for feasibility study.
- iv) Use the PPP Project Screening and Analytics Tool (PSAT) for project appraisal and prioritization to include projects in the IBNPB for solicitation.
- v) Development of a framework and guideline for the Project Bank with appropriate tools and techniques to establish the IBNPB. Following ap-

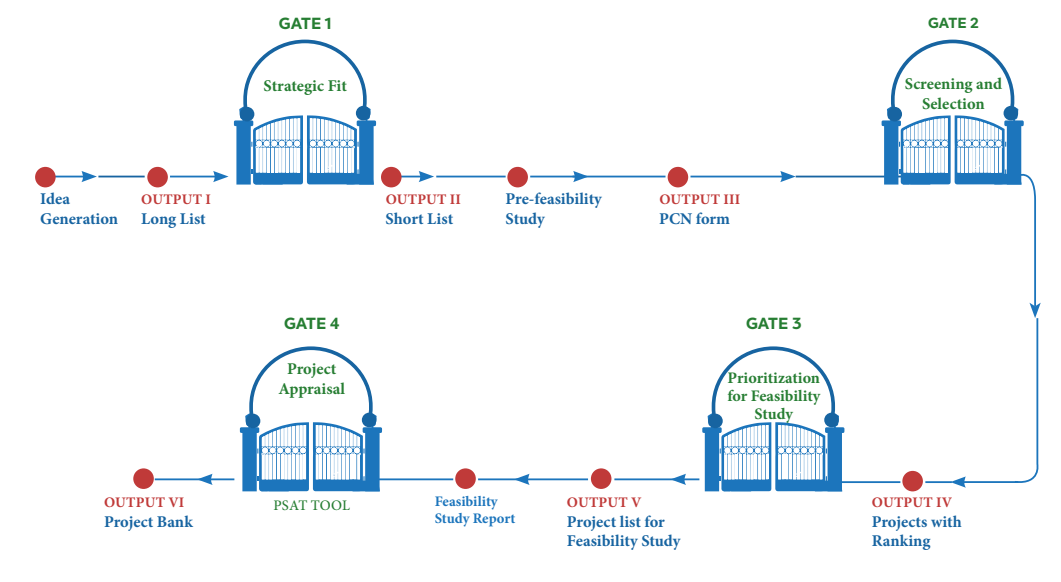
proval by the IBN Board, the guideline will serve as a reference document for the establishment of the IBNPB under the PPP Unit.

Structure of the guideline

The guideline has three sections:

The Introduction to the Guideline provides the background, rationale, and legal mandate for the development of this guideline. In addition, it provides the purpose, scope, structure, methodology, and limitations and also outlines the approval procedures and protocols, along with information on the intended users of the guideline.

The IBN Project Bank provides information on the four stages a project has to go through before inclusion in the IBN Project Bank: 1) identification, 2) screening, selection, and ranking, 3) appraisal, and 4) inclusion. The section provides the context, rationale, matrix, and approval procedures along with the protocol for each stage. It provides definitions and processes for the project identification stage and the project selection stage including Gate 1, which consists of the strategic fit assessment, details of the prefeasibility study, and developing the project concept note. Gate 2 includes descriptions of the criteria, processes, and rationale for project screening and ranking. This is followed by project prioritization for feasibility study through the risk assessment and qualitative VFM analysis in Gate 3. After this, they are screened and appraised using the PSAT tool at Gate 4, which prioritizes projects for inclusion in the IBNPB. The fourth stage involves the development of the

Figure 1: Project selection process

IBN Project Bank, which is a pipeline of bankable and credible projects to be solicited for development.

The following figure provides a gate-wise breakdown of the different stages in the development of the IBN Project Bank.

Methodology

The establishment of the Project Bank begins with identification. For this, the OIBN first needs to identify infrastructure projects and gather project-related information from different sources. The projects could come from various sources, including those listed in IBN's existing inventory, from sectoral line agencies including local, provincial, and federal governments; projects defined in the PPPIA 2019, projects sourced from the private sector, and projects identified through a call for ideas. Information on various projects exist in different formats and the projects are in different stages of preparation as the information is typically identified and collected through

various agencies. Therefore, to standardize the information collected, the OIBN has developed a project idea note (PIN) template the use of which will result in a project list with projects having individual PINs. This is the output of the project identification stage.

The projects identified in this long list then go through strategic fit assessment (Gate 1) to assess their strategic alignment. Robust screening criteria have been developed to filter and select projects from the long list. To qualify, the projects must meet the requirements of the Gate 1 screening criteria, which mainly focus on IBN's mandate, national and sectoral priorities, and avoiding duplication and FDI restrictions. The output here is a short (filtered) list of projects.

The short-list projects that pass-through Gate 1 are then moved on to the prefeasibility study phase. A prefeasibility study is generally conducted to present an assessment of a proposed project in terms

of its technical aspects, environmental and social sustainability, economic and financial feasibility, and the legal and regulatory implications under which it will be implemented, its institutional and financial aspects, and any other analysis necessary to assess the feasibility. An approved template is used for the prefeasibility study. Generally, a prefeasibility study is a relatively lengthy and detailed document with provides information on various project components. Hence, a standardized concept note template has been developed to bring together concise information on the project.

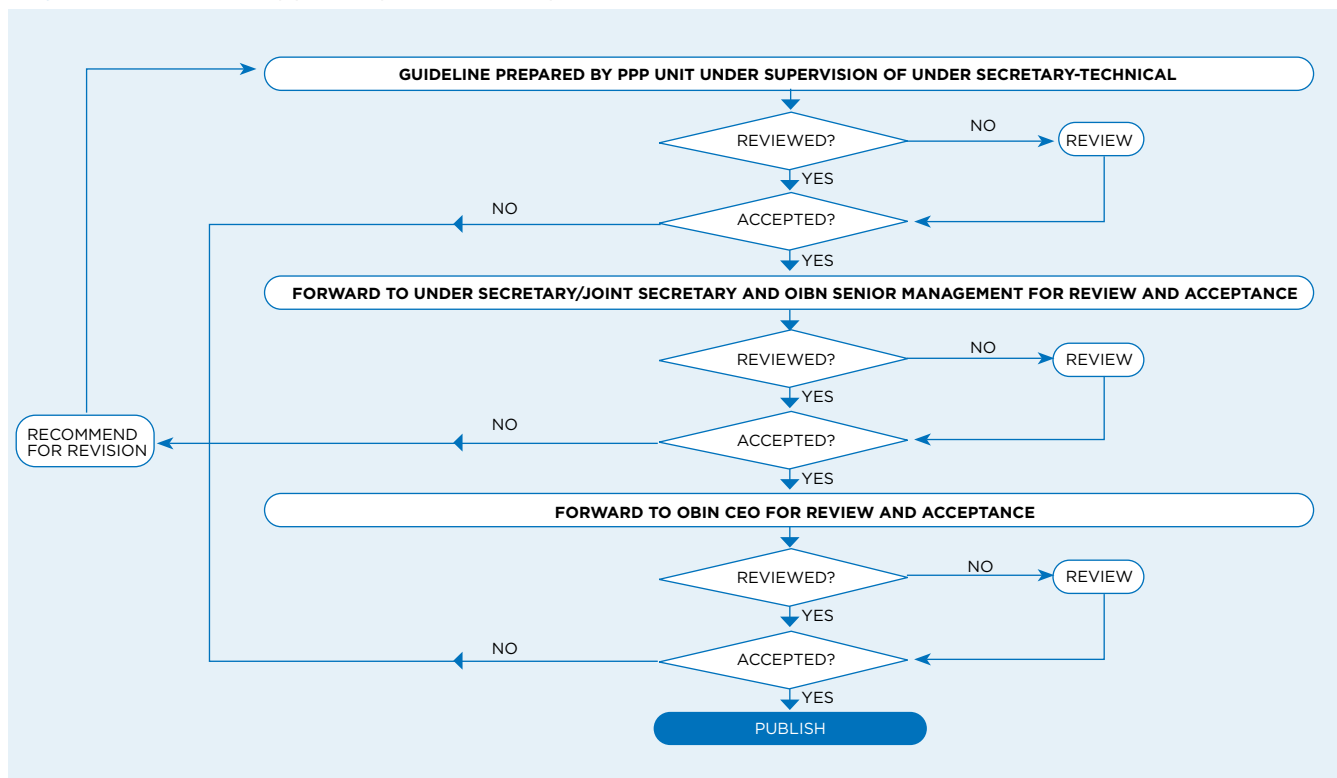
The PCN provides decision-makers key project information in a concise form. After a PCN is prepared, the project is screened through the prefeasibility screening and ranking criteria (Gate 2). This includes five key criteria: technical aspects, environmental and social sustainability, economic and financial feasibility, and legal and regulatory implications. Projects are evaluated against the key indicators identified for each criterion, where each indicator is assigned a certain weightage. The total score will be the sum of all the sub-criteria scores within each of the main criteria, proportionate to the weightage assigned. The total scores form the basis for ranking the projects.

To prioritize projects for feasibility studies, they are required to pass through a risk assessment and a qualitative VFM analysis (Gate 3). Once the feasibility study has been completed, projects are screened and appraised using the PSAT tool, which prioritizes projects for inclusion in the IBN Project Bank.

The IBN envisions the development of a comprehensive IT based Project Bank Management Information System (IBN-PBMIS) to realize the objectives of the IBNPB. The system will serve as a dedicated platform to capture relevant data and information on projects. It will adopt a standardized and uniform mechanism to collect, curate, and analyze data on infrastructure projects to serve as a single platform with information necessary for strategic development. The IBNPB will be accessible to all concerned stakeholders including various government agencies (federal, provincial, and local), development partners, and the private sector. The system will be managed by a dedicated support team from the PPP Unit at the OIBN and will be used by various agencies throughout the country.

Literature review

Various publications of national and international agencies were reviewed for the development of this guideline. The National Project Bank Framework and other development reports of the National Planning Commission (NPC) served as reference documents. The PSAT tool developed by the World Bank was adopted and customized for the IBNPB. PSAT is a decision-making tool built on the earlier version of the infrastructure finance and public-private partnership and guarantee tool. Similarly, various guidelines and research reports published by development agencies and academicians were reviewed. This helped the team to understand global practices in developing screening criteria and assigning weightage to each criterion.

Figure 2: Guideline approval protocol and procedure

Intended users of the guideline

This guideline is intended for use by the following entities:

1. Office of the Investment Board Nepal

This guideline is intended for use in decision-making by the OIBN. It is also for use by decision-makers, designated officers, and individuals who operate the IBNPBMIS system. The information outlined in the guideline is simple and easy to follow and will guide OIBN staff in the process of identifying, selecting, and ranking projects at various stages of selection.

2. Concerned line agencies (local, provincial, and federal levels)

This guideline is also for use by designated officials of relevant line ministries and agencies and other public sector entities

for selecting projects in the IBN's mandate for development and implementation under the PPP modality. They will be able to design projects as per their interests based on the guideline for inclusion in the IBNPB. In addition to this, the guideline can be used as a reference tool by local, provincial, and federal level entities for projects to be implemented under their jurisdiction. The guideline is primarily intended for officials who are in charge of PPP projects and have knowledge of and experience in project development and public procurement and are responsible for decision making at different stages.

3. Development partners

This guideline can be used by various development partners to identify the scope for collaboration, partnerships, and ways to support the development of projects.

4. Domestic and foreign Investors

This guideline provides information on various aspects of a project as per the interests and needs of investors.

5. Private sector organizations

This guideline provides information on various aspects of project selection and opportunities for collaboration, partnerships, and support in project development.

6. People of Nepal

This guideline provides information to the general public on the selection of projects in the IBNPB.

Limitations

This guideline was prepared taking into consideration its intended users. It was made with reference to various guidelines and research reports of development agencies and related academic work, and relies on a general understanding of global practices. This guideline is intended to be a living document that will be amended as needed, or as required by rules and regulations, and lessons learnt over time. It will be developed in both English and Nepali languages.



THE IBN PROJECT BANK

Introduction

Nepal aspires to graduate from its least developed country status to become a middle-income country by 2026, for which it must reduce its infrastructure gap and attain its aspired growth levels. The total investment needed for this is estimated at around 10-15 percent of GDP annually over the next decade.⁵ Net domestic borrowing by the public sector was estimated to remain less than 1.14 percent of GDP, and ODA was expected to grow by 10 percent per annum till 2020. It was projected to grow by 5 percent from 2021-2025, and by 2 percent thereafter.⁶ Finances for the private sector are anticipated to be available as follows: domestic private equity at 2.5 percent, bank credit at 6.8 percent, and FDI at 5 percent of GDP with provisions made for external borrowing.

The Government of Nepal (GoN) recognizes the significance of the infrastructure gap and has been seeking solutions to bridge it as the targeted outcomes and aspirations can be achieved by focusing on creating new infrastructure and upgrading existing infrastructure. This is vital to raise Nepal's competitiveness in global markets.

“The strategic objective is to develop IBN as a result-oriented agency by means of adopting best practices of international PPP and IPA agencies.”

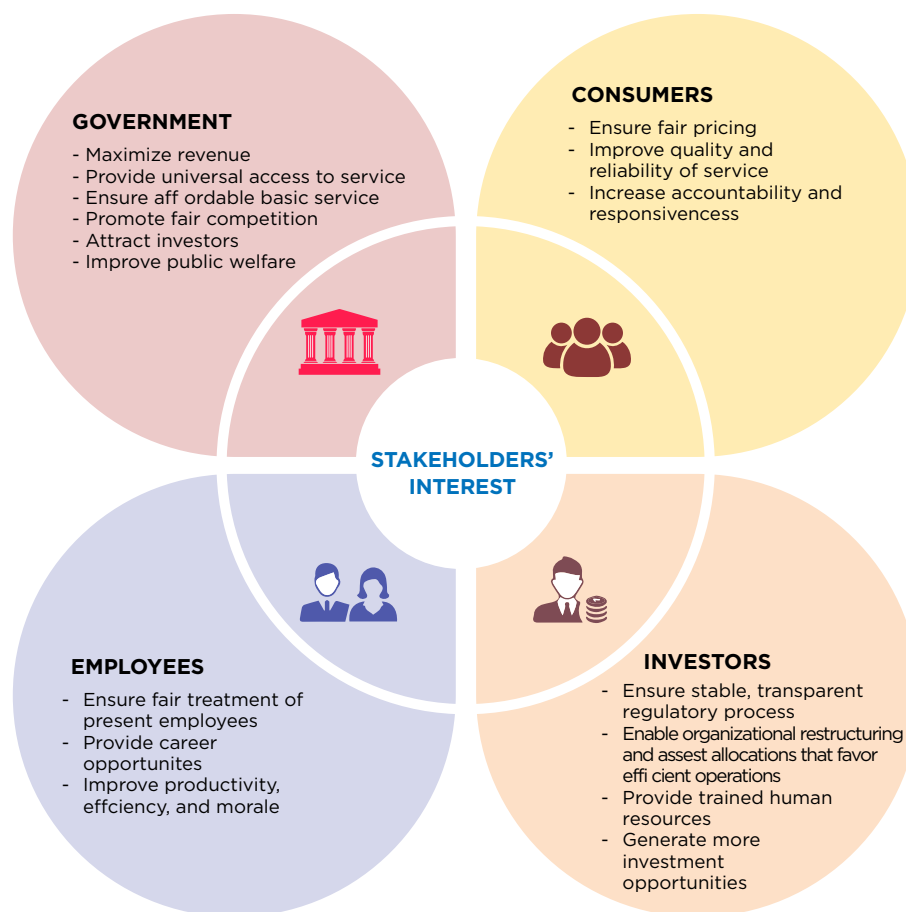
According to the 15th Periodic Plan (2019/20-2023/24), a total projected investment of USD 84 billion is needed, of which 55.6 percent (AAR - USD 9.32 Billion) needs to come from the private sector.⁷ Thus, the private sector will need to play a vital role to support the achievement of national goals. The government plans to devise a workable private sector engagement strategy and encourage its strong presence in tourism, agriculture, manufacturing, and trade where investment needs to be stimulated for sustainable and inclusive growth.

The significant infrastructure gap and limited domestic and foreign financial resources make it essential for Nepal to strategically develop infrastructure projects that

⁵ World Bank, Nepal Infrastructure Sector Assessment: Private Sector Solutions for Sustainable Infrastructure Development, Washington DC, 2019 <https://openknowledge.worldbank.org/bitstream/handle/10986/32355/134956.pdf?sequence=1&isAllowed=y>

⁶ National Planning Commission, Needs Assessment, Costing and Financing Strategy for Sustainable Development Goals, Kathmandu, 2017, https://www.npc.gov.np/images/category/SDGs_Costing_Final_Version.pdf

⁷ Sushil Bhatta, National Project Bank and National Project Bank Management Information System, National Planning Commission, https://ppp.gov.ph/wp-content/uploads/2019/08/UNESCAP_2ndMTNG_Session6-NEPAL.pdf

Figure 3: Range of stakeholder interest in PPPs⁸

align with the national development goals. Projects that address the pressing development needs and multidimensional aspects of development such as social, economic, financial, and environmental issues can serve as catalysts for national development. Such projects can also produce substantial public benefit. The selection and development of projects in Nepal may not always have followed rigorous technical evaluations, resulting in inefficient use of public and private resources, and projects that have had cost and time overruns.

Frameworks that are based on analysis of multiple criteria can help to: (a) systema-

tize prioritization based on key development goals, (b) make best use of available information (c) avoid unfeasible projects through proper government consultation, and (d) identify and seek missing information to improve the project appraisal and data collection processes. Incorporating such a framework can help to avoid poor planning, regressive investment, over-commitment, information asymmetries, and political interference.

In Nepal, the NPC has adopted the project portfolio management (PPM) concept for the establishment of the National Project Bank (NPB). The NPB is a repos-

⁸ Asian Development Bank, Public-Private Partnership Handbook, Philippines, <https://www.adb.org/sites/default/files/institutional-document/31484/public-private-partnership.pdf>

itory of projects eligible for investment (i.e., bankable projects) to be executed by the federal government through public expenditure. These have been selected based on a process of project identification, selection, appraisal, and prioritization developed by the NPC.

The IBN envisions creating its own Project Bank to serve as a depository of projects for building infrastructure services to improve the overall quality of life in Nepal. It gathers infrastructure project ideas from different sectoral line agencies including provincial and local governments and the private sector. This Project Bank can strengthen and enhance the efficiency and effectiveness of the OIBN in identifying, screening, ranking, appraising, prioritizing, and developing projects transparently and competitively.

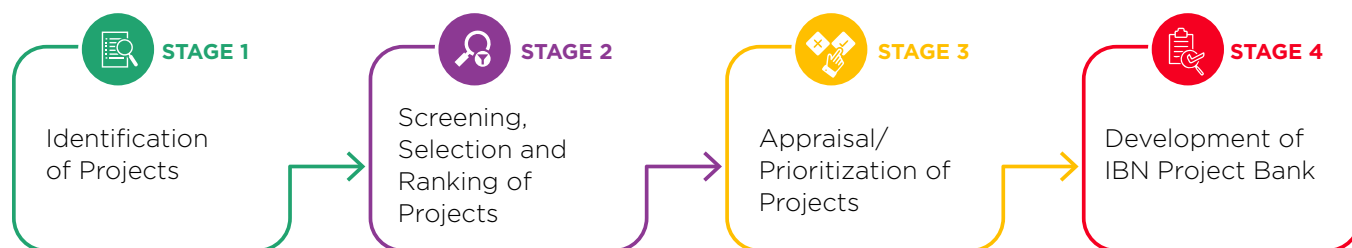
There are four major stages in developing bankable projects for the IBNPB, starting with a compilation of a list of projects in the various stages. It then considers the modality of the projects and focuses on how the different levels of government can best accelerate key infrastructure undertakings through public-private partnerships (PPP) and private investment to provide optimal economic and social benefits to the country.

“The IBN envisions creating its own Project Bank to serve as a depository of projects for building infrastructure services to improve the overall quality of life in Nepal.”

During **Stage 1**, potential projects are identified, and a long list of projects is generated from five different sources: (a) existing project inventory lists at OIBN, (b) public calls, (c) proposals from the private sector, (d) projects received from sectoral line agencies including provincial and local governments, and (e) projects identified by the Public-Private Partnership and Investment Act 2019. A project idea note (PIN) is developed for each project to standardize the information collected from the different sources to help in the screening process.

Stage 2 includes Gate 1 (Strategic fit assessment), a screening criterion to select projects to include in a project shortlist. Prefeasibility studies are conducted only for short-listed projects. The different

Figure 4: The four stages for establishing the IBN Project Bank





Projects are appraised and assessed through various parameters such as strategic suitability, preliminary feasibility, risk assessment, PPP suitability, and fiscal affordability.

screening criteria considered for Gate 1 are: (a) IBN mandate, (b) project falls under national/sectoral priority or is a project of strategic importance, (c) project in which investor selection and tendering has not been initiated, and (d) project does not fall under investment restricted categories. Project concept notes (PCN) are developed after conducting prefeasibility studies. Thereafter, the projects are assessed through Gate 2 (Prefeasibility screening and ranking criteria) which includes: (a) technical prefeasibility, (b) environmental sustainability, (c) social sustainability, (d) economic prefeasibility, (e) financial prefeasibility, and (f) legal prefeasibility. The final output is a ranked list of projects that are then prioritized for feasibility studies. Gate 3 includes a questionnaire-based tool for the prioritization of projects through: a) risk assessment, and b) qualitative VFM analysis parameters. Feasibility studies are conducted for the projects that qualify. The output of the second stage is the feasibility study of prioritized projects.

Stage 3 includes the appraisal and prioritization of projects for inclusion in the IBN Project Bank after the completion of the Gate 4 (IBNPB PSAT tool) screening to appraise potential suitability for PPP procurement. Project appraisal is the process of analyzing and evaluating the technical, economic, commercial, envi-

ronmental, social, and legal feasibility of a project. It enables an investor to take a decision on investment considering the project's long-term effects, design optimization, structure, and impact. The IBNPB PSAT is used as an appraisal tool to assess projects using various combinations of qualitative and quantitative information. Projects are appraised and assessed through various parameters such as strategic suitability, preliminary feasibility, risk assessment, PPP suitability, and fiscal affordability. The output of third stage is a prioritized list of projects for inclusion in the IBNPB.

Stage 4 involves the inclusion of projects, prioritized through the appraisal process, in the IBNPB following approval by the IBN Board resulting in a depository and pipeline of bankable and credible projects.

Objective and rationale for the four stages

The objective of the four stages is to develop a sequential process from project identification, through project appraisal to support the establishment of the IBNPB. This provides a consistent and transparent procedure to ensure that projects are identified, ranked, appraised, prioritized, and selected in an efficient and coordinated manner. The following factors are emphasized:

- Identifying project screening methods to short list projects
- Developing the project ranking criteria

The process helps in the selection of projects through an evidence-based and quality-oriented multi-stage criteria approach, which supports IBN's strategic aims and objectives.

STAGE 1:

IDENTIFICATION OF PROJECTS

The first stage of the IBNPB process is to identify infrastructure projects that complement sector-specific strategies or national and provincial socio-economic development programs. Projects are identified based on evidence such as the project's socio-economic profile and alignment with the long-term national vision. This stage consolidates existing identification procedures used by line agencies, departments, provincial governments, local authorities, cooperatives, and the private sector. The process leads to the preparation of a PIN and the creation of a long list of projects.

Five sources used for identifying projects for the long list:

1. Sectoral line agencies including the provincial and local governments: Projects are identified in collaboration and coordination with various sectoral line agencies including provincial and local governments. Projects sourced from different line ministries, departments, provincial line agencies, local government, etc. are usually in various stages of ideation, conceptualization, study, or development.

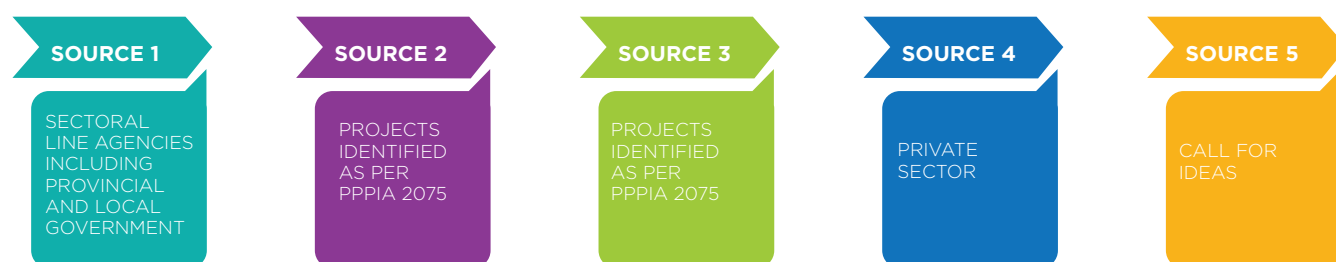
2. Projects identified as per PPPIA 2019 and PPPIR 2020: Sections 8 (d), 14, 15, 20, and 33 of the PPPIA 2019 and Sections 11, 12, 13, and 14 of the PPPIR 2020 state provisions for project identification.

3. Existing project inventory list at the OIBN: The project inventory list at the OIBN includes a depository of infrastructure projects acknowledged by the IBN Board. Projects in the inventory were identified through IBN Board or OIBN decisions, consultations, and coordination with relevant line agencies, showcased during the investment summits, or through other official sources.

4. Project proposals from the private sector: The OIBN welcomes project proposals from the private sector to serve as a source to create the long list.

5. Public call for new ideas: The OIBN can issue a call for new project ideas by making a public call to source and identify potential ideas for new projects. Interested parties and individuals can then submit their proposals to the OIBN.

Figure 5: Major sources for project identification



1.1. Project Identification Matrix

Table 1: Matrix for project identification

Scope	Key Stakeholders	Inputs	Method	Outputs
<ul style="list-style-type: none"> Identify potential infrastructure project from the five sources mentioned in Fig.4 to create a long list of projects. Consolidate existing processes for identification and provide a basis for selection of strategically relevant projects. 	<ul style="list-style-type: none"> Existing line ministry/ departments Provincial governments Local governments Public enterprises Private sector OIBN PPP Unit 	<ul style="list-style-type: none"> Existing project inventory at IBN. Projects identified as per IBN legislations⁹ Pipeline project identified from the sources presented in Fig. 4 	<ul style="list-style-type: none"> Identification of potential projects from existing sources 	<p>Output 1:</p> <ul style="list-style-type: none"> Long list of infrastructure projects in the pipeline. <p>Output 2:</p> <ul style="list-style-type: none"> Prepare Project Idea Notes (PIN) on identified projects.

1.2. Developing Project Idea Notes (PIN) for Individual Projects

Projects identified and collected from various sources are usually in different formats and at different stages of preparation. Therefore, individual PINs are developed to standardize the information. The PIN is a short document that includes brief, standardized information on each identified project.

The PIN provides all information needed for the Gate 1 (strategic fit assessment) screening. The template for the PIN is attached in

Annex 1. The PIN is submitted through the IBNPBMIS application system. The PIN Assessment Checklist is attached in Annex 5.

1.4. Submission of the PIN

The PIN for individual projects is submitted by the designated desk officer or personnel assigned by the PPP Unit. The designated project officer will fill in the required PIN form in coordination with the respective agencies aligned to the project. Initially, the PIN will be filled by the in-house IBN team but once more knowledge and experience of the process is gained by designated personnel from the various agencies, the PIN can be

1.3. Project Identification Process

Figure 6: Project Identification Process

OUTPUT 1 LONG LIST OF PROJECTS

ACTIVITIES

- Identify and collate potential infrastructure projects in coordination with the five sources mentioned in Figure 5 to create a long list of projects.
- Consolidate the existing process for identifying projects and define the basis for selecting strategically relevant projects.

OUTPUT 1 PROJECT IDEA NOTES

ACTIVITIES

- Development of the project idea note template.
- Fill out and complete the project idea note form for all projects identified through the application of PBMIS by the designated officer in the Project Bank Sub-Unit.
- Review and acceptance of the long list by the PPP Unit.
- PPP Unit to propose the long list to OIBN CEO for approval. Include the long list in the IBN PBMIS.

⁹ Projects identified as per Section 8 (d), 14, 15, 20, 33 of PPPIA 2019 and 11, 12, 13, 14 of PPPIR 2020.

prepared by the project promoting agencies themselves. A handbook or manual will be provided to concerned agencies with instructions on how to fill out the PIN form. The PIN is submitted to OIBN through the IBNPBMIS. The PIN Assessment Checklist is attached in Annex 5.

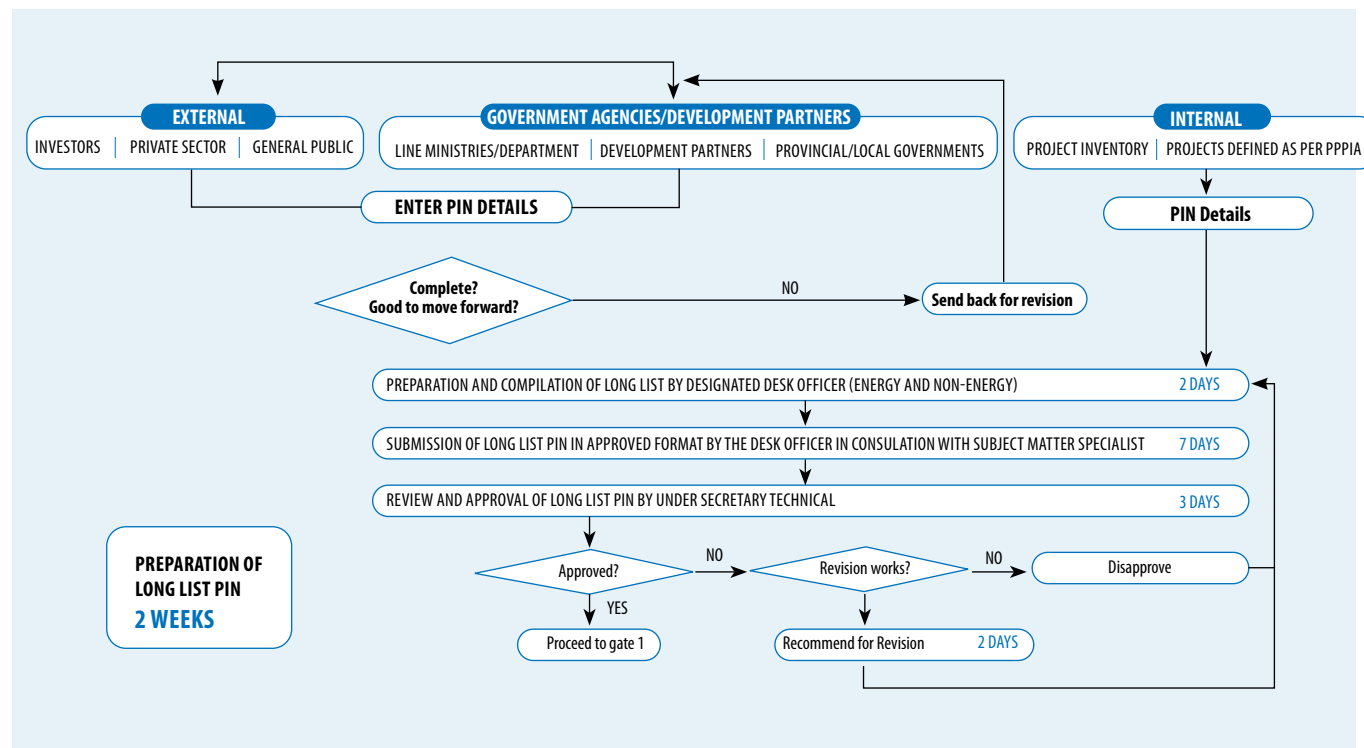
1.5. Long List Approval Process at IBN

Figure 7 below maps the PIN development and approval process that is estimated to take around two weeks. This indicative timeframe can be adjusted to account for other responsibilities and roles that the various stakeholders have to take on.

1.6. Private Investment Projects

As per Section 15 of the PPPIA 2019, the Investment Unit prepares the list of projects that can be implemented under private investment and conducts studies on these projects. Private investment projects are ideated from similar sources as indicated in Figure 5 and as per Section 33 of the PPPIA 2019, which identifies projects that may be implemented with investment from the private sector, provided the cost is more than NRs. 6 billion and under IBN mandate. The list of private investment projects also includes those from unsolicited proposals as per Section 15.2. (c) of the PPPIA 2019. Projects identified are then approved by the Board before implementation.

Figure 7: Long list approval process



STAGE 2:

PROJECT SCREENING, SELECTION, RANKING AND PRIORITIZATION FOR FEASIBILITY STUDY

A long list of projects is created as an output of project identification in Stage 1. This process is followed by project screening and ranking in Stage 2 to generate a short list of projects for carrying out pre-feasibility studies.

Stage 2 consists of 3 gates and includes the screening, selection, ranking and prioritization of projects for feasibility studies. The long list generated from Stage 1 is first run through the screening criteria of Gate 1 (strategic fit assessment) to identify projects to be included in the short-list of projects eligible for a prefeasibility study. After the prefeasibility study is prepared, a project concept note (PCN) is developed for each project. Thereafter, the projects are assessed based on the criteria of Gate 2 (Prefeasibility: screening, and ranking criteria). The output of Gate 2 is a list of ranked projects.

Gate 3 prioritizes projects in terms of risk assessment, qualitative VFM analysis and regional inclusiveness. The final list of projects is then prepared for conducting feasibility studies.

2.1. Gate 1: Strategic Fit Assessment

The identified projects should meet the requirements of Gate 1 (strategic fit assessment) screening criteria (Table 2) to help determine their strategic fit required for the Gate 2 screening process.

Gate 1 is the preliminary screening criteria for all the projects that have been identified (long listed) in Stage 1. Only those projects that meet the Gate 1 criteria can proceed to Gate 2. There are four key criteria identified at the first level of screening under Gate 1. Each project is evaluated against key indicators identified for each criterion. Each criterion needs a “yes” response to proceed to the next stage. Details are provided in table 2.

2.2. Rationale for the Screening Criteria for Gate 1

Criterion 1: IBN mandate

The preamble of PPPIA 2019 states that IBN shall serve as a PPP agency and has been established to: (a) contribute to the economic prosperity of the country by securing investments from domestic or foreign private investors in prioritized infrastructure projects; (b) manage projects conducted through PPP; and (c) consolidate and amend legal provisions related to investments.

As per Section 4 (d) of the PPPIA 2019, projects with a total project cost of NRs. 6 billion or above fall under the IBN mandate for implementation. However, the threshold for energy projects to fall under the IBN mandate is a power capacity of 200 MW or above, regardless of the project cost.

Table 2: Gate 1 screening criteria

Strategic Fit Assessment: Answers should be either “yes” or “no”. For a project to pass this stage and proceed to Gate 2, the answer should be “yes” for all the questions.		Response	Explanation
1	Does the project fall under IBN mandate?	Yes	Meets the threshold criterion of PPPIA 2075 and PPPIR 2076: Financial threshold of NRs. 6 billion and above Energy projects above 200 MW Project development modality as per Section 17 (2) of PPPIA 2019
2	Does the project align with Nepal’s national plan or any other medium/ long-term strategic document that establishes the development priorities?	Yes	Sectors identified in the NPC’s periodic plan Projects identified in the fiscal policy (Ministry of Finance) Projects identified/ approved by IBN Board. Project listed in the National Project Bank (NPB) Projects identified by provincial governments Project identified by sectoral line agencies
3	The investor selection process/ tendering has not been initiated by another line agency?	Yes	Project has undergone the FS, DPR, etc., commissioned by respective sectoral line agencies but the line agency has not initiated procurement/ tendering for the potential investor for the project under either public expenditure or PPP mode.
4	The project does not fall in negative list as per FITTA 2019, PPPIA 2019, and Industrial Enterprise Act 2020	Yes	Industries/ businesses restricted for foreign investment as per the schedule relating to Section 3 (2) of FITTA 2019 Projects as per Section 18 of PPPIA 2019 Industrial Enterprise Act 2020, Section 8, (Annex 1)
Total score		20	
Result			The project meets all the criteria to proceed to Gate 2
If the project meets the above-mentioned criteria i.e., if the answer to each criterion is “yes”, then proceed to Gate 2.			

Section 17 (1) of the PPPIA 2019 states that any project related to infrastructure can be carried out through PPP. While implementing projects through PPP, pursuant to sub-section (2), any of the following methods may be adopted:

- a. Build and Transfer (BT)
- b. Build, Operate and Transfer (BOT)
- c. Build, Own, Operate and Transfer (BOOT)
- d. Build, Transfer and Operate (BTO)
- e. Lease, Operate and Transfer (LOT)
- f. Lease, Build, Operate and Transfer (LBOT)
- g. Development, Operate and Transfer (DOT)
- h. Management, Operate and Transfer (MOT)
- i. Rehabilitation, Operate and Transfer (ROT)
- j. Any other similar method

Criterion 2: National/ sectoral priority

a) Projects/ sectors identified in the NPC's periodic plans: The NPC's periodic plans are formulated with a vision to ensure holistic development of the country. The 15th plan aims to upgrade Nepal from a least developed country to a middle-income country and achieve the SDGs by 2030. To graduate, emphasis has been placed on outperforming in three criteria: the low-income criterion, Human Assets Index (HAI), and Economic Vulnerability Index (EVI). The plan emphasizes increasing the size of the national economy by promoting investment in areas identified as growth drivers for economic transformation. Efforts have been focused on the mobilization of productive sectors of the economy and internalizing commitments made at international and regional events.

b) Projects identified in recent government policies/plans/programs: A criteria for the selection of priority projects is their identification in recent fiscal policies announced by the Ministry of Finance (MoF). In addition to this, considerations are made based on:

- The Constitution and laws of Nepal
- The policies and programs of the Government of Nepal
- The principles and priorities of the Appropriation Bill
- The government's SDG targets

c) Projects identified/ approved through IBN Board decisions: The OIBN has prepared a repository of infrastructure projects that have been acknowledged by the IBN Board.

d) Projects listed in the National Project Bank: The National Project Bank developed by the NPC is a repository of projects eligible for investment (i.e., bankable projects) to be executed by the federal government. Projects are selected based on a predetermined process of project identification, appraisal, selection, and prioritization. As the projects in the National Project Bank are structured to be implemented through public investment, projects that can be developed through a PPP modality can be included in the IBNPB.

e) Projects identified by provincial governments: Provincial governments have formulated five-year policies and plans through provincial policy and planning commissions (PPC). The provincial investment authorities identify various strategic infrastructure for the respective provinces.

f) Project identified by sectoral line agencies: Sectoral line agencies identify various infrastructure projects that are considered as sectoral priorities.

Criterion 3: No duplication

This criterion assesses if any duplicate efforts are in place for the solicitation of the project within the line agencies. For instance, if the investor selection process/ tendering for a particular project has been initiated by another line agency for implementing similar activities within the same geographical location. This usually arises due to a lack of coordination between line agencies and eventually leads to inefficiencies in budget allocation. Hence, with respect to criterion 3, projects that have undergone feasibility studies, DPR, etc., through sectoral line agencies but have not initiated the procurement/ tendering process for potential investors under public expend-

iture can be considered for inclusion in the IBNPB, unless the concerned sector agency or the government requests for IBN's assistance in project preparation and tendering.

Criterion 4: Not in the negative list as per FITTA 2019/PPPIA 2019 List/IEA 2020

FITTA 2019 was enacted by the Government of Nepal to reform the foreign investment regime in Nepal. Schedules related to Section 3 (2) includes a list of industries and businesses restricted for foreign investment. Similarly, projects that do not fall under the negative list of Section 18 of the PPPIA 2019, Annex 1 of IEA 2020, and other relevant acts can be considered for inclusion.

2.3. Project Selection Matrix through Gate 1

Table 3: Matrix for project selection through Gate 1

Scope	Key Stakeholders	Inputs	Method	Outputs
<ul style="list-style-type: none"> To select projects that meet the criteria specified in Gate 1 to create a short list. 	<ul style="list-style-type: none"> OIBN Relevant line agencies 	<ul style="list-style-type: none"> A long list of projects identified for Gate 1 	<ul style="list-style-type: none"> Screening of long list of projects through Gate 1 	<ul style="list-style-type: none"> Short list of screened projects selected for prefeasibility studies.

2.4. Gate 1: Project Screening Process

Figure 8: Project screening process



2.5. Short List Approval Process

Figure 9 below maps the short list approval process, which is estimated to take around 12 days. This indicative timeframe can be adjusted to account for other responsibilities and roles that the various individuals in the process have to take on.

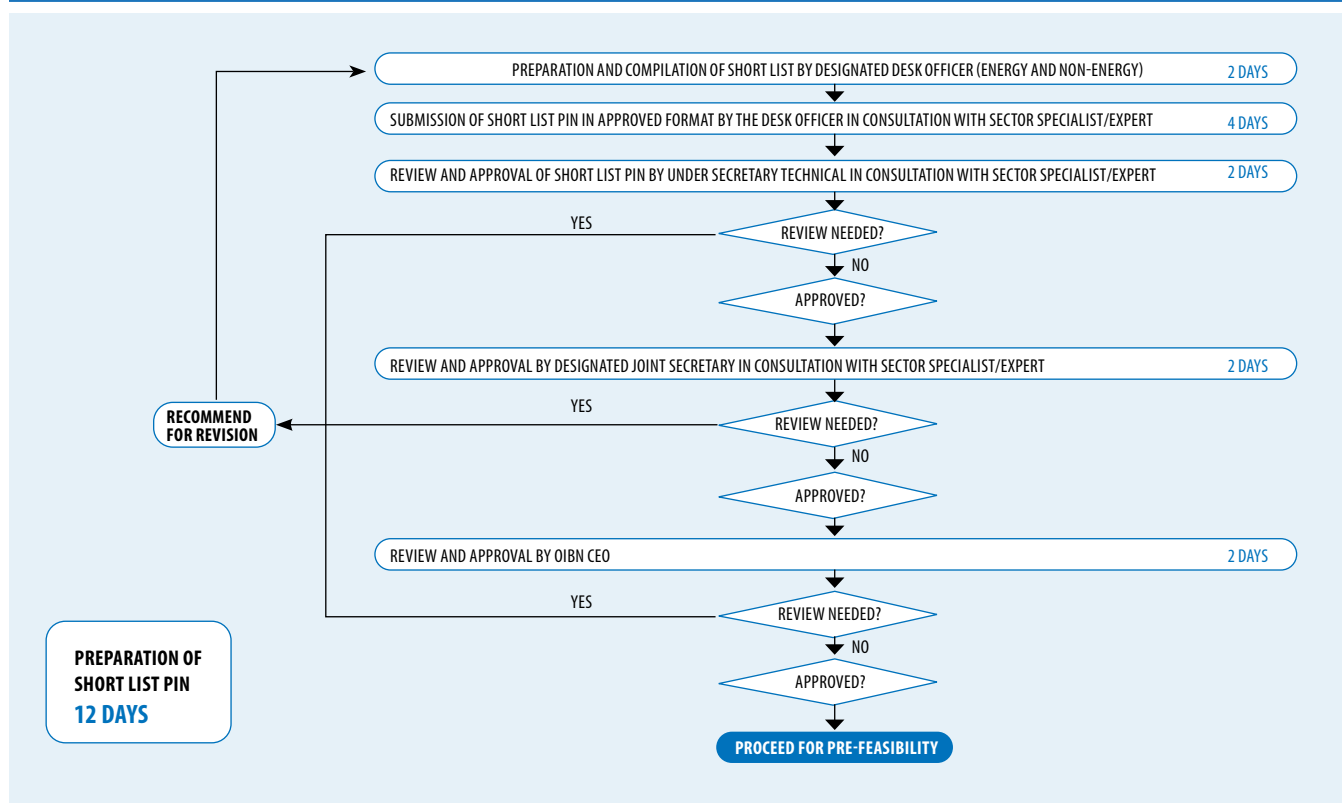
2.6. Prefeasibility Study

A short list is prepared after the PINs (long list) are screened through Gate 1. Prefeasibility studies are conducted on all the projects that are in the short list. A prefeasibility study is generally conducted to present an assessment of a proposed project in terms of its technical aspects, environmental and social sustainability, and economic and financial analysis, along with the legal and regulatory framework. It also looks into

the feasibility of the implementation modality and the institutional and financial aspects. The prefeasibility study helps to provide a clear conclusion on the suitability of the project to be procured as a PPP together with recommendations for the implementation as a PPP.

Prefeasibility studies (PFS) are typically conducted using available desk-top and secondary materials such as project profiles, baseline surveys, sector/master plans, basic project information, etc. The PFS generally includes the project rationale, a range of technically feasible options, project objectives, and scope. The preliminary costs and benefits are also determined, and an initial environmental and social screening of the project is also included. The PFS can be conducted by internal/ in-house experts at the OIBN or can be outsourced through

Figure 9: Short list approval process



an external firm/ expert. The templates for prefeasibility studies on energy and non-energy projects are attached in Annex 2 and Annex 3, respectively. The project concept note (PCN) is the output that results upon completion of the prefeasibility study.

2.7. Preparing and Approving the Project Concept Note

Generally, the prefeasibility study is a long, detailed document with information on various project components. Hence, it is important to develop a PCN to assess the various aspects of the project in a more tailored approach to provide concise information to facilitate decision making. A prefeasibility study provides the broad scope of the project, whereas information in the PCN is designed to provide customized information on each project.

The main objective of the PCN is to compile relevant information on a project to assess its need and viability. The PCN can help to avoid spending resources on projects that are not in line with the government's strategies and goals. It can also assist early decision making based on the soundness of the project. The PCN is prepared to help decision makers to think strategically about the project. The template of the PCN form is attached in Annex 4.

Project Concept Note (PCN)

Generally, a prefeasibility study is an extensive and detailed document with information on various project components. The PCN provides succinct information on the project to allow for a tailored assessment. Whereas a prefeasibility study provides the broad scope of the project, the PCN provides specific, customized information necessary to secure approval for the project to progress to the next stage of screening and ranking (Gate 2).

Who is responsible for PCN submission?

Who is responsible for PCN submission?

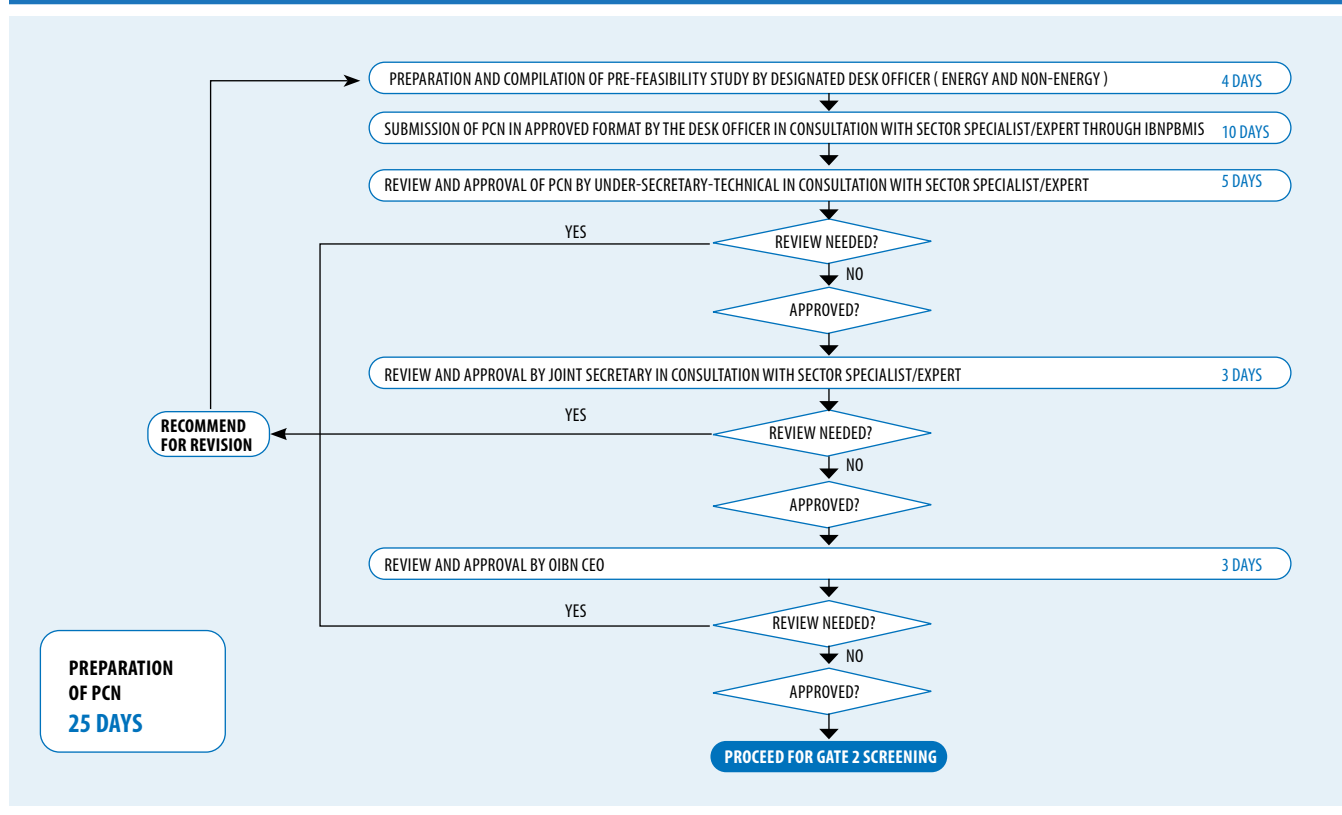
The PCN for an individual project is submitted by a designated desk officer or personnel assigned to the project under the PPP Unit. The PCN is prepared and filled out in-house integrated in IBNPB-MIS. The designated project officer fills in the information based on the prefeasibility study.

In what format will the PCN be prepared?

The PCN is prepared using the PCN Form, a document that includes the following information with regards to the project: a) general information on the project, b) project's salient features, c) project's financing arrangement, d) economic analysis, e) project's readiness (technical prefeasibility), f) market assessment and demand analysis, g) benefits of the project, h) environmental and social impact, i) risk assessment, and j) qualitative VFM analysis and other related issues. The PCN form is a short document that can be used as a quick reference for project marketing or promotion. The PCN Assessment Checklist is attached in Annex 6.

PCN approval process

Figure 10 below maps the PCN approval process that is estimated to take around 25 days. This indicative timeframe can be adjusted to account for other responsibilities and roles that the various individuals involved in the process have to take on.

Figure 10: PCN approval process

2.8. Gate 2: Prefeasibility and Ranking Criteria

After the project concept note (PCN) is prepared, projects are screened through the second level of screening and ranking criteria (Gate 2). Projects screened through Gate 2 are then ranked based on the assessment. There are six key criteria used at Gate 2. Each project is evaluated against key parameters for each criterion, where each indicator is assigned a certain weightage. The project's total score is the sum of all scores in all sub-criteria within each of the six main criteria proportionate to the weightage assigned. The criteria through which projects are screened and ranked are as follows:

1. Technical prefeasibility

The technical prefeasibility assessment is used to assess the technology proposed, technical resources required, and soundness of the proposed technical compo-

nents. Technical prefeasibility parameters include a preliminary assessment to assess whether the project can be technically delivered in an efficient and effective manner to achieve the outputs. It includes an initial analysis and assessment of the project scope, technical design requirements, performance requirements, site issues, cost estimates, and related preparatory works. Information related to the engineering design and technical implementation of the project are also analyzed. Potential challenges associated with the project are also outlined along with site accessibility from the perspective of construction management and availability of skilled workers for construction, operations, and maintenance of the project.

2. Environmental sustainability

The environmental sustainability parameter includes a preliminary analysis of environmental aspects related to the project. It provides a base to understand the

project's key environmental effects, environmental scoping, outlining potential negative impacts along with the project's resilient, and long-term climate change adaptive features.

3. Social sustainability

The social sustainability parameter includes early identification of the project's influence area along with the affected stakeholders of the project. It assesses if the project adversely impacts the health or quality of life of users, workers, or the local community. It also considers if the social impacts of the project and their likelihood of being managed by national safeguard policies.

4. Economic prefeasibility

The economic prefeasibility parameter assesses the cost-benefit analysis of the project. Two indicators are generally used when evaluating economic viability: the economic net present value (ENPV) and the economic internal rate of return (EIRR). The ENPV is the sum of the differences between the discounted benefit and cost flows and is the recommended indicator to use when there is more than one alternative of mutually exclusive projects within the same timeframe. The rule of thumb (in the case of a single project alternative) is to accept the project when the ENPV, calculated using the minimum required discount rate, is positive. For multiple alternatives, the project with the largest ENPV should be accepted.¹⁰ If the EIRR is used, a project with EIRR greater than the discount rate is selected. The EIRR should be used only when there is only one project under consideration.

5. Financial prefeasibility:

The financial prefeasibility parameters assess and analyze the viability of a project considering the projected income, expenses, and cash flows over the life cycle. The financial viability assessment is intended to

assess whether a rational investor would decide to proceed with a particular project based on its returns. It is crucial to present a business case for a project and present its financial parameters. Investment decisions are based on the risk-return profile expressed by the indicators available at the time of the investment decision. Various financial indicators such as NPV, IRR, and debt service coverage ratio (DSCR) along with debt-equity ratio, interest rate, tenure of debt and cost of equity are used in the analysis. The internal rate of return (IRR) of the project and equity calculations are designed to provide an indication on the expected return on investment. This will indicate whether the project will be attractive to the private sector and might also help to identify if any fiscal support or incentives will be required to make the project viable.

6. Legal Analysis

The legal Analysis parameters include a preliminary legal analysis mainly outlining the legal implications and assessing the adherence to the legal framework related to the project. It also assesses legal barriers associated with the project.

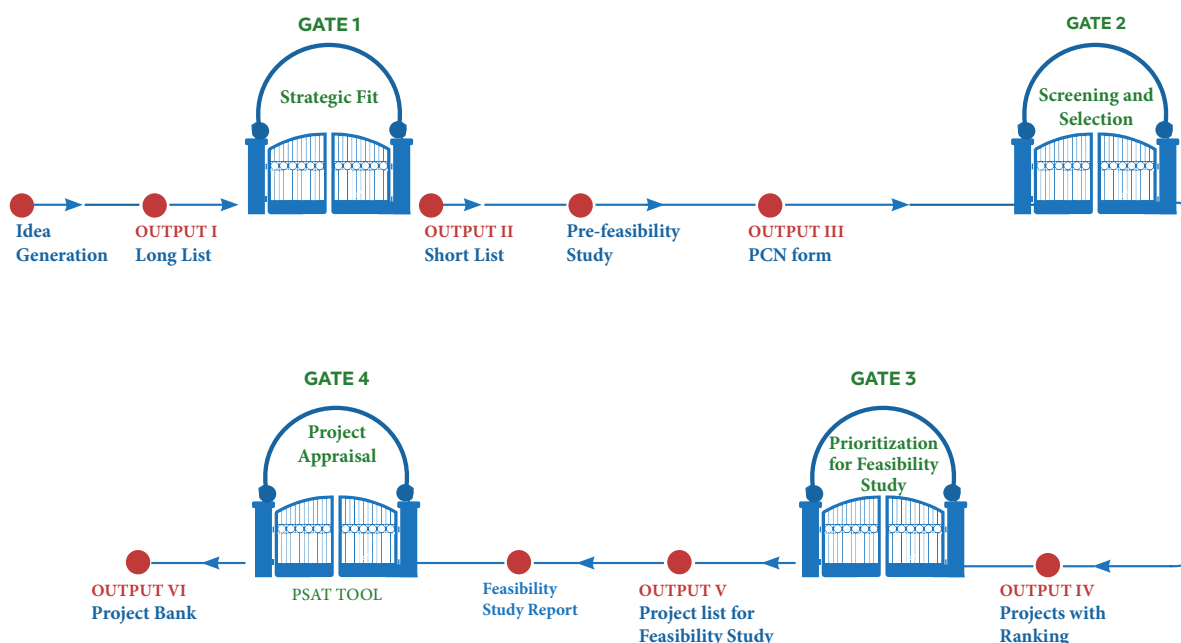
2.9. Project Scoring and Ranking Process for Gate 2

The prefeasibility screening and ranking criteria include various parameters where the responses can be "yes", "no", or "maybe" to the questions that are scored. Each question carries a certain score/weightage and each project's cumulative score is assessed. For a project to qualify to proceed to Gate 3, the minimum score required is 70 percent. Projects that receive less than 70 percent are eliminated and are returned to the party that submitted it with recommendation for revisions. The output of the prefeasibility screening and ranking criteria (Gate 2) is a list of ranked projects. The Gate 2 screening tool is provided in Annex 8.

¹⁰ The discount rate most often used in evaluating development projects is the social rate of time preference (STP). The Asian Development Bank uses an STP of 12%.

2.10. Project Screening and Ranking Process

Figure 11: Project screening and ranking process



2.11. Project Screening and Ranking Matrix

Table 4: Project screening and ranking matrix

Scope	Key Stakeholders	Inputs	Method	Outputs
<ul style="list-style-type: none"> To screen and rank projects based on the criteria specified in Gate 2 	<ul style="list-style-type: none"> OIBN Staff 	<ul style="list-style-type: none"> Project concept note form and two-pagers of individual projects 	<ul style="list-style-type: none"> Screening of the short listed projects through Gate 2 	<ul style="list-style-type: none"> Ranked list of projects

2.12. Project Rankings

Projects are screened and ranked based on their alignment with the criteria of Gate 2. Projects that score 70 percent or more can proceed for feasibility studies. The rank is based on the weighted percentage of the project's score. This provides a simple approach to create a list of ranked projects that helps to optimize budget allocation.

2.13. Gate 3: Prioritizing Projects for Feasibility Studies

The prioritization of projects is an important step in project portfolio management.

It helps to ensure that resources are efficiently allocated and are in line with national development plans. It enables the government to choose the right projects, ensuring public funds are spent efficiently to produce the maximum social and economic benefit. A systematic process is required to select a portfolio of projects that allow maximum value addition under conditions of budgetary constraint.

A ranked list of projects provides a strong basis for decision makers to prioritize projects as they are selected based on various objective criteria like technical and environmental sustainability, social sustainability, economic prefeasibility, fi-

nancial prefeasibility and legal prefeasibility. Due to budgetary constraints, it is crucial for the government to be able to prioritize projects for feasibility studies.

Each project screened through the risk assessment and qualitative VFM criteria is scored, and the projects are prioritized as per the following “high”, “medium”, or “low” matrix:

Risk Assessment Score Criteria	Assessment Score
High	90% - 100%
Medium	80% - 90%
Low	70% - 80%

The Gate 3 prioritization criteria tools are presented in Annex 9, 10, and 11. When two projects score similar prioritization outputs (for example: any two projects receive the same output such as risk assessment = High and VFM = High) then, as a tie breaker, regional inclusiveness criteria are considered. The regional inclusiveness criteria are presented in Annex C.12. Similarly, if any two projects receive similar scores in the regional inclusiveness criteria, then the overall score of the project from risk assessment and VFM are considered in the prioritization for feasibility studies.

Gate 3 has a questionnaire-based tool for the prioritization of ranked projects. They are screened and prioritized through two parameters: i) risk assessment, and ii) qualitative VFM analysis.

2.14. Risk Assessment

Risk assessment assists in identifying the overall risks associated with the project and helps in providing a systematic examination of the various problems, challenges and hazards that may arise during development and implementation. The assessment helps to reduce adverse

effects and outlines the impact of identified risks. It also helps to investigate the risks related to delays in land acquisition, financing, design and construction, operation and maintenance, and market and demand risk.

The various risk assessment parameters through which projects are screened and assessed are given below. A brief explanation of each metric is also provided:

Risk of delay in land acquisition: Projects are screened based on risks related to land acquisition, such as availability within the required time or in the manner or costs anticipated. It also explores the possibility of unanticipated liabilities due to the existing condition of the land or local claims on ownership. It outlines if substantial delays are anticipated or if there is a need to acquire forest/productive or protected land for the project. It examines the possibility of any involuntary resettlement and the appropriate legal frameworks to address the same.

Financing risk: It investigates risk related to the availability of sufficient financing for the project at a reasonable cost. It assesses if financial closure of similar projects in the country or region have occurred and assesses if any financiers have or may be interested in financing the project.

Design and construction risk: The design risk assesses if the proposed design meets the performance and service standards indicated in the output specification. The construction risk assesses if the construction of the assets required for the project can be completed in time, within budget, and to the stated specification. It outlines potential challenges and addresses the capacity of the private sector to design, construct, and commission the construction.



To establish if a project's predicted benefits surpass its estimated costs, a VFM study often uses a combination of qualitative and quantitative methodologies.

Operation and maintenance risk: The operation and maintenance risk assess if the project has well-defined, measurable, and verifiable operations and maintenance components. It examines whether there are strong systems of safeguards, incentives, and penalties to manage contractor/sub-contractor/equipment's suppliers' performances.

Market and demand risk: The market and demand risk outline the demand and willingness to pay for services. It examines if there are any competing projects in the vicinity that could impact the demand for the project.

2.15. Value for Money

Value for Money (VFM) is the optimum combination of life cycle costs and quality to meet the project's requirements and objectives. The most favorable mix of cost, quality, and sustainability is characterized as the best value for money. Cost refers to the project's life cycle cost. Quality means meeting specifications that impacts its ability to fulfil expectations. Sustainability refers to the economic, social, and environmental advantages addressed during the development of the project.

VFM in PPP projects

The goal of a VFM study is to help governments decide whether or not to undertake

a proposed project as a PPP. The decision to procure the project through PPP is often made after conducting a VFM analysis. It compares different approaches to deliver a project to see which one is most likely to achieve the project's goals at the lowest cost. The VFM analysis provides an in-depth understanding of the project life cycle costs at an early stage. It assists in selecting the most appropriate delivery mechanism and is best for large-scale, long-term projects with high PPP procurement prices and a complicated risk profile.

To establish if a project's predicted benefits surpass its estimated costs, a VFM study often uses a combination of qualitative and quantitative methodologies. The VFM leverages the private sector's potential to be more efficient or effective at delivering infrastructure projects or facilities. Cost, pricing, quality, quantity, risk sharing, or a mix of these factors are used to highlight benefits to government entities and the public at large.

The government encourages PPPs as a means to bridge the funding gap that hinders development. A VFM analysis helps to identify and quantify critical project risks that might result in a large cost variance and to minimize the risk element. The expectation that PPPs can help generate "fiscal space" to enable faster execution of infrastructure projects is one of the reasons why governments are turning to PPPs. This is especially true for PPPs that are structured on a user fee basis. These can help collect additional income for infrastructure investments while also helping to achieve more economically effective service utilization. However, it is important to note that PPPs are not "free" and that many PPPs will likely require some form of government support. It is therefore important to assess and manage any fiscal risks that may be associated with a PPP project.

Qualitative VFM analysis

While qualitative VFM analysis is inherently subjective, it has the benefit of not depending on quantitative data which is often difficult to validate and substantiate during the early stages of a project's development. However, for a comprehensive understanding of the benefits of the PPP contract over traditional methods of procurement, the qualitative results should be considered alongside the quantitative results.

The qualitative analysis is used to determine if the project fulfils the VFM feasibility criteria and identifies potential quantifiable project benefits. It can also identify if a project needs more explanation or analysis. If a project fails to pass the qualitative evaluation, it is likely to fail the quantitative evaluation as well. The qualitative analysis aids the public partner in more efficiently allocating project preparation resources. It also helps in avoiding high transaction costs associated with a complicated bidding procedure for a project that may or may not deliver VFM. This often takes place at a relatively early stage of PPP development.

The qualitative VFM analysis usually takes the form of a questionnaire that assesses many components of a project. It typically assesses project characteristics that aren't measurable, as well as financial and other factors that are used in the quantitative analysis. It is done using a multiple-choice or open-ended questionnaire. It highlights challenges that may affect the project. Because this is an innovative subject, the qualitative questions used at Gate 3 may be added, changed, or adjusted to account for project-specific concerns.

Qualitative VFM analysis process

The qualitative VFM analysis is structured in three stages. At the first screen-

ing stage, where candidacy of the project is checked, all "yes" responses indicate that the project can be a good potential candidate for VFM and qualifies to proceed to stage 2. Any answer with a "no" response results in the project not moving to the second screening stage.

The second stage of qualitative screening aims to determine the drivers/factors in projects such as private sector experience and expertise in effective project management, a whole-of-life costing approach, innovation, fiscal risk and public liabilities reduction, and effective revenue collection. The scoring requirement in this step is 70 percent or higher. Any projects which fulfil the minimum scoring criteria can proceed to the next stage as they have demonstrated the potential to generate VFM and be structured as PPPs.

The final stage of qualitative VFM checks the commercial attractiveness of a project. The scoring requirement in this step is once again 70 percent or higher. Projects which meet this scoring criteria are likely to deliver VFM.

2.16. Budget Allocation

In cases where management decides to proceed with the prioritized list of projects for feasibility studies, the process of budgetary allocation will follow the top-down approach. Management will



The qualitative analysis is used to determine if the project fulfils the VFM feasibility criteria and identifies potential quantifiable project benefits.



Feasibility studies evaluate and analyze a project in terms of its technical, financial, economic, and environmental aspects. For PPP projects, it provides the basis for the government to make decisions on whether to proceed with the project based on the technical and financial risk assessment and allocation.

make decisions for resource allocation using the envelope approach of budgeting to ensure maximum benefit.

2.17. Feasibility Study

Feasibility studies evaluate and analyze a project in terms of its technical, financial, economic, and environmental aspects. For PPP projects, it provides the basis for the government to make decisions on whether to proceed with the project based on the technical and financial risk assessment and allocation. Feasibility studies help to evaluate the best possible alternative and assist in decision making before committing/investing resources, time, and budgets to project development. It helps to narrow business alternatives, explore new opportunities, and enhances the project success rate by evaluating various parameters and improving the decision-making process. A comprehensive template for a project feasibility study report is provided in Annex 13.¹¹

The feasibility studies of the ranked projects will likely need to be carried out by procuring external consulting services.

They will need to be completed within a stipulated timeline and be approved by the IBN Board. The output of a feasibility study is a feasibility report detailing the technical, financial, economic, commercial feasibility and institutional, environmental, social, and legal assessments of the project. Details on each of these components is given below:

Technical assessment: The technical assessment outlines the soundness of the technical parameters related to the project. It assesses the technical resources based on a systematic analysis of data pertaining to the technical aspects. It establishes a case for the technical viability of the project.

Financial assessment: The financial assessment outlines whether the estimated financial costs and returns are justifiable and assesses whether the project is financially viable to investors. Financial feasibility is crucial for decision-making and helps in maximizing the success rate of the project.

Commercial viability: The commercial viability outlines whether the estimated revenues (inflows) generated by the project under a reasonable scenario are adequate to cover all expected costs (outflows). It assesses the project's profitability and considers various costs such as operation and maintenance costs, financing costs (interest), taxes, and debt and equity pay back.

Economic assessment: The economic assessment looks at whether the project is economically feasible over a period of time. It compares the cumulative benefits generated by the project with the costs of the project. It assesses the costs/ben-

¹¹ Project Appraisal and Selection.pdf

efits associated with the project and supports the decision-making process.

Value for Money analysis: One reason why PPPs are undertaken by governments is that PPP projects have the potential to achieve greater value for money than traditional procurement. It is based on the idea that risks should be allocated to the party best able to manage them. In practice this is often not observed, and instead risk is allocated to the parties least able to refuse them.¹² A VFM test can provide the means for the government to bear lower risk. It can also help to review how the private company “priced” the risks; thus, allowing the risks to be contracted upfront.¹³

The UK Treasury states, “Value for Money (VFM) is the optimum combination of whole-of-life costs and quality (or fitness for purpose) of the good and services to meet the user’s requirement,” as referenced in World Bank’s report Value-for-Money Analysis-Practices and Challenges.¹⁴ In other words, a project generates VFM if, over its complete lifecycle, it attains an optimum combination of costs and benefits. In general, VFM is only a mechanism to determine if a project can be undertaken as a PPP. It is neither a tool to compare between different projects nor is it used to determine whether an investment should be made in a project or not. It merely evaluates the procurement mechanism of the project.

The most critical aspects of a robust VFM analysis are its risk analysis, as the allocation of risk is one of the main drivers of VFM. The general approach to risk allocation is that risk should be allocat-



The general approach to risk allocation is that risk should be allocated to the party best able to manage it. When analyzing risk, it is important to assess each risk and then determine the likelihood of that risk happening and the financial impact the risk will have on the project if it does occur.

ed to the party best able to manage it. When analyzing risk, it is important to assess each risk and then determine the likelihood of that risk happening and the financial impact the risk will have on the project if it does occur. It is only after all the risks have been allocated and accounted for that one can properly compare the PPP and public procurement methods using a PSC.

If enough data is not available to make detailed risk assessments, then simulation techniques may be used. In any case, once the risk assessment is performed, the costs of the project using the PPP modality can be estimated. This amount, multiplied by an appropriate discount rate is the basis for comparison with the Public Sector Comparator (PSC) model.

If the discount rate is large, then present consumption is prioritized. There are two separate discount rates in VFM analysis: PSC and PPP rates. They are different only in that the PPP rate is ad-

¹² Risk Transfer in Public Private Partnerships: Lessons Learnt from the Wastewater Treatment Sector, <https://www.library.auckland.ac.nz/external/finalproceeding/Files/Papers/46530Final00165.pdf>

¹³ *ibid.*

¹⁴ World Bank Group, Value-for-Money Analysis-Practices and Challenges, 2013, <https://library.pppknowledge.org/d/1922/download>

justed to reflect the amount of systematic risk that has been transferred to the private partner. The more systematic risk transferred, the higher the discount rate should be applied.

Institutional assessment: The institutional assessment outlines whether the identified implementing agencies are capable of effectively implementing, monitoring and evaluating various aspects of the project. It assesses the managerial and operational competences of the implementing agency along with its ability and capacity to plan, implement, and operate the project.

Environmental assessment: The environmental assessment evaluates whether there are any adverse environmental impacts associated with the project and outlines approaches to mitigate or minimize the impact.

Social assessment: The social assessment evaluates whether there are any adverse social impacts associated with the project and outlines approaches to mitigate or minimize the impact.

Legal analysis: The legal assessment looks at whether the project addresses and outlines legal issues associated with the project and conducts a legal due diligence to ensure that all foreseeable legal requirements related to the project are identified and addressed.

Risk assessment: The risk assessment outlines and identifies the key technical,

financial, legal, regulatory, institutional, environmental, social, and other risks facing the project. The risk assessment outlines the identified risk and perceived risks related to the project.

The Term of Reference (ToR) of the feasibility study will guide and include the details of further information required tailored to the nature and scope of the project.

2.18. Evaluation of Feasibility Study

The IBN PPP unit will procure external consulting services to conduct feasibility studies on prioritized ranked projects. The PPP unit will procure and conduct the evaluation of the feasibility study.

2.19. Rationale for Feasibility Studies

Feasibility studies involve investigating the technical, financial, economic, commercial feasibility and the institutional, environmental, social, and legal assessment of a project to assess whether it should be further developed, financed, and implemented. It helps to narrow down the most preferred technical and procurement options for projects and builds on the information presented during the prefeasibility study. It provides an in-depth assessment and due diligence of the financial and technical feasibility of the project and provides a detailed assessment of the scope and, by doing so, supports decision-making for successful project development.

STAGE 3:

PROJECT APPRAISAL

Following the prioritization for feasibility study, projects are assessed through the project appraisal stage (Gate 4) to prepare them for listing in the IBNPB for the solicitation phase. "Project appraisal is a process of reviewing and evaluating various aspects of a project to approve or reject the project by analyzing the problem and need to be addressed by the project, generating solution options (alternatives) for solving the problem, selecting the most feasible option, conducting a feasibility analysis of that option, and creating solution statement. It is the way to determine the project's feasibility and cost-effectiveness."¹⁵

Project appraisal is the process of analyzing and evaluating the technical, economic, commercial, environmental, social, and legal feasibility of the project and enables an investor to take a decision on investments considering the

long-term effects, and the optimization of project design, structure, and impact. Project appraisals are carried out by the PPP Unit through the procurement of external expert services.

3.1. Objective of Project Appraisal

- To ensure the optimization of project design and impact and yield the maximum social and economic return.
- To avoid and eliminate the inefficient use of resources during the implementation phase of a project or on an unfinished project.
- To allow the selection and prioritization of efficient alternatives for project development considering the long-term effects of a project.
- To enable a transparent and systematic decision-making process.

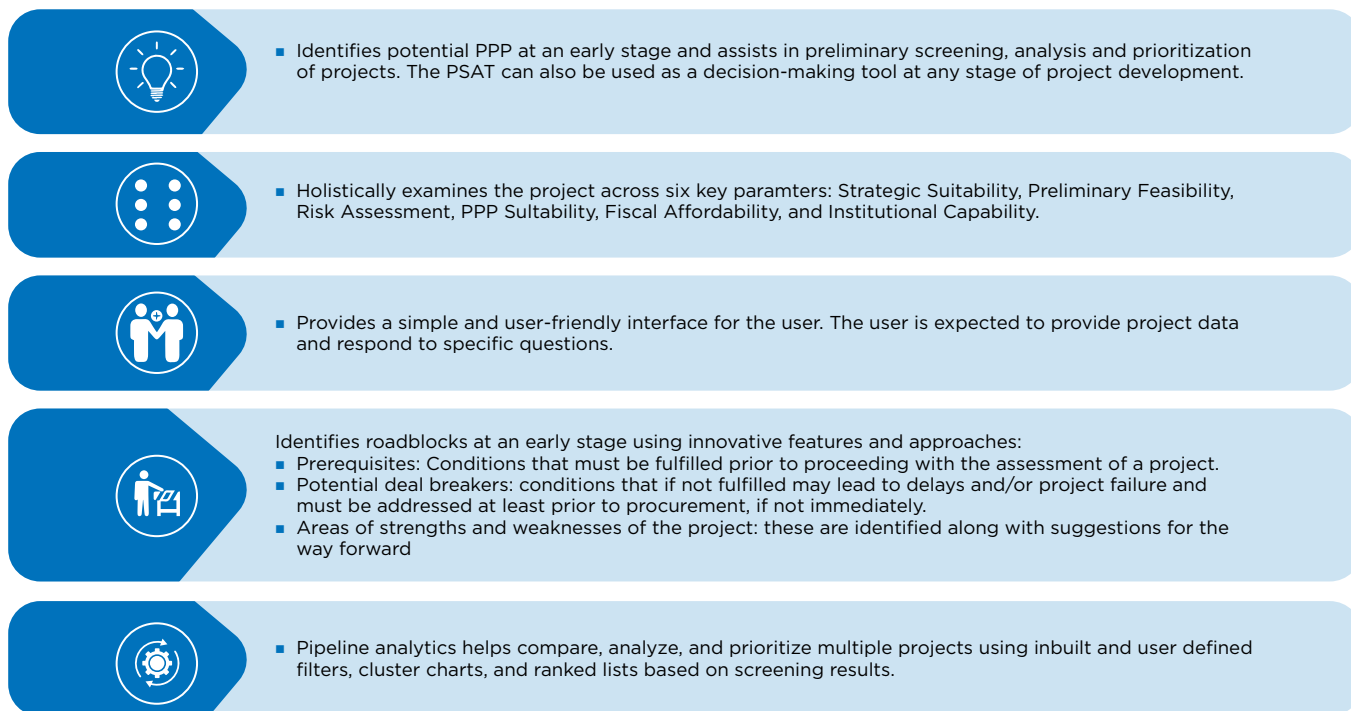
3.2. Matrix for Project Appraisal

Table 5: Matrix for project appraisal

Scope	Key Stakeholders	Inputs	Method	Outputs
<ul style="list-style-type: none"> ■ To appraise projects through a robust feasibility assessment and to prepare projects for inclusion in IBNPB, and prioritize projects for solicitation 	<ul style="list-style-type: none"> ■ PPP Unit ■ External sectoral experts 	<ul style="list-style-type: none"> ■ List of ranked projects ■ Feasibility study 	<ul style="list-style-type: none"> ■ Screening projects through IBNPSAT Tool (Gate 4) 	<ul style="list-style-type: none"> ■ Project Appraisal Report

¹⁵ <https://managementguide/project-appraisal>

Figure 12: Features of the PPP project screening and analytics tool



3.3. Gate 4: IBNPB PSAT Tool

The PSAT is a Microsoft Excel Visual Basic-based tool used for screening and prioritizing projects to determine their potential suitability for PPP procurement. Developed by the Infrastructure Finance, Public-Private Partnerships and Guarantees global practice at the World Bank, PSAT is a decision-making tool built on the earlier version of the Infrastructure Finance and Public-Private Partnership and Guarantee Tool.¹⁶

IBNPB's customized PSAT has been developed as a project decision making appraisal tool, where it can assess projects using various combinations of qualitative and quantitative information and

can be used in situations of low or high information availability. The outputs of PSAT will be more reliable and informative provided more detailed information is available on the project being passed through the tool.

3.4. Data Sources for the IBNPB PSAT

The various sources of information applicable to the IBN PSAT are as follows:

- Feasibility study reports
- PPP-related policy, laws, and regulations
- Information on similar projects implemented in the past in the country or region

¹⁶ The PPP Project Screening Tool developed in 2017.

- Information on banking and lending regulations and practice
- Information on key macroeconomic variables

3.5. Entering Project Information

The IBN PSAT tool will be integrated into the IBNPBMIS where information/inputs are entered from various data sources. The relevant desk officer along with sectoral experts undertake the screening exercise and enter information into the PSAT. Project related information is filled as inputs and explanatory notes related to each question are provided for the ease of understanding and to minimize the subjective answers to questions.

3.6. Project Inputs Screens

Through the IBNPB PSAT tool, projects need to provide basic data that are screened across five parameters. Basic information on the project covers nine aspects, which is fed into the basic project data screen.

The nine basic aspects of projects are as follows:

- A. Project profile
- B. Prerequisite conditions
- C. Revenue profile
- D. Government support
- E. Land status
- F. Value for money-quantitative assessment
- G. Return expectations
- H. Foreign exchange risk profile
- I. Climate change and resilience profile

After the input of basic project data, the project is screened through five parameters.

Each field is linked to a decision tree that adapts the questions for the project.

The five parameters through which projects are screened are as follows:

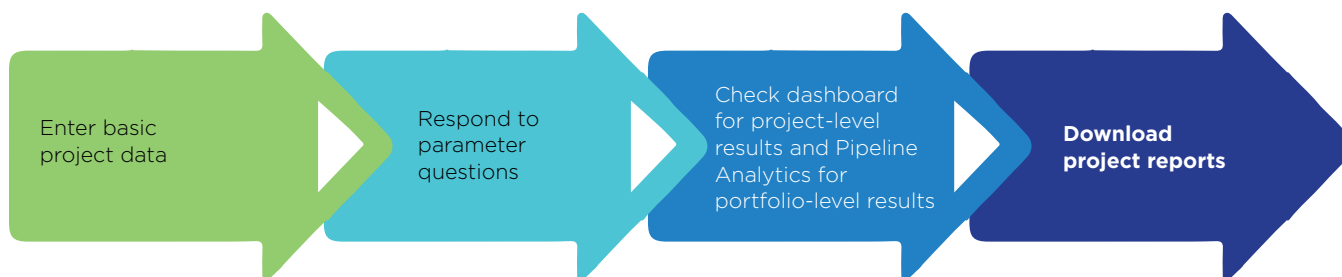
I. Strategic suitability: Assesses the suitability of the project in terms of the country's national plans and programs, service needs, service delivery options, and scope of the project.

The sub-parameters for strategic suitability are as follows:

- i. Alignment with government priorities: The project's strategic importance and alignment with government priorities, strategic document, and developmental plans.
- ii. Identification of service need: Identification of problems and required service needs to address problems related to the project.
- iii. Assessment of service delivery: Technical solutions available for addressing service needs. This can include any one or combination of various technical solutions options such as a) existing asset options, b) non-asset options, and c) new asset-based options.
- iv. Scope of project: The technical output expected from the project, market services expected in the location/geography, users to be serviced, and a detailed description of the project.

II. Feasibility: analyses the technical, environmental, social, economic, financial, and legal aspects of the project.

III. Risk Assessment: Assesses major risks applicable to the project in terms of various attributes such as land acquisition, financing, design and construction, operations and maintenance, market,

Figure 13: Steps for screening projects using IBNPB PSAT

and demand, offtake, foreign exchange, and environmental and social risks.

IV. PPP suitability: Assesses the value for money (VFM) and market appetite for the project. The VFM analysis includes qualitative and quantitative assessments, which is not only limited to price, but also analyzes increased benefits to end-users, greater certainty of financial outcomes, assets and services delivered at a specified level, and consideration of long-term service needs. The market appetite parameter captures the perception of the project among potential investors and also indicates the various operational constraints that investors could face.

V. Fiscal affordability: Assesses the affordability of a project from the government's perspective based on the extent and nature of fiscal support and its quantification. Here, the extent and nature of government support and whether the project qualifies for fiscal support are assessed.

Under these five parameters, there are 25 thematic sub-parameters where questions are generated from the information provided by the user in the basic project data screen. There are five responses that the user can choose from ("yes", "no", "uncertain", "skip" and "N/A"). The PSAT tool provides details on the various inputs and has explanatory notes for the ease of

the user providing the information.

3.7. PSAT Outputs

A summary of the project's results is displayed in the dashboard, which also has an option to generate a report, after basic project data has been entered and responses have been provided to the various parameter, and sub-parameter questions. The dashboard summarizes the overall analysis of the project and provides three sets of scores: overall score, parameter scores, and sub-parameter scores.

3.8. IBNPB PSAT Scoring Methodology

The scoring methodology of the IBNPB PSAT follows a five-stage process as shown in Fig 14:

Each question in the IBNPB PSAT is assigned a score based on the responses entered by the user through the PSAT tool. All the questions are assigned predefined scores in the PSAT tool. The scores assigned to the questions in the tool are as follows:

The overall scoring of the project is displayed in the dashboard which interprets and analyzes the three sets of scores: overall score, parameter scores, and sub-parameter scores. The overall score of the project is displayed in a PPP speedometer. The speedometer color

Figure 15: IBNPB PSAT scoring methodology

ranges from red to yellow to green. The various colors indicate the strength of the project where red indicates the lowest score possible and dark green indicates the highest score possible. The score of the speedometer scale – from 0 to 5 – specifies various results such as – deficient, weak, adequate, and strong.

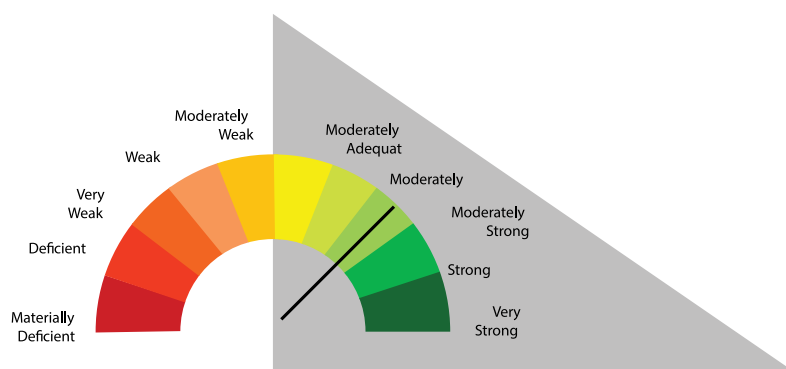
3.9. Development of Project Appraisal Report

Following an appraisal process through the IBNPSAT tool and approval of the feasibility study, a Project Appraisal Report (PAR) is prepared by the PPP Unit with the support of an independent panel of external experts designated by the PPP Unit. The PAR for individual projects is produced after feasibility studies have been prepared for project appraisal.

3.10. Project Appraisal Report

The feasibility study is a detailed document that presents the core analytics, mainly technical and other assessments related to the project. It is a long document prepared for decision makers. A PAR is prepared based on the results of the feasibility study and an analytical summary of the IBNPSAT tool and acts as a decision-support system for investment decision making. The PAR is an ev-

Response	Score assigned
Yes	Score: 1
No	Score: 0
Uncertain	Score: 0.5
Skip	No score is assigned, the question weight is reduced to zero, and it has an impact similar to “no” response.
N/A	No score is assigned; the weight is redistributed to other questions in the sub-parameter.

Figure 16: Color codes of the speedometer dial

idence-based document that provides clear recommendations on whether or not to proceed with the implementation of a project, with recommendations justified on the basis of the feasibility study.

3.11. Preparation and Submission of PAR

The PAR is prepared by the designated desk officer with the support of an independent panel of external experts. The desk officer fills in the information as per the PAR template through the IBNPBMIS within a stipulated time. The independent panel comprises external experts from various sectors designated by the PPP Unit to provide expert judgment and assessment during the preparation of the PAR.

3.12. Format of the PAR

The PAR is a document that includes the following:

- a. Information about the project.
- b. Summary of the financial projections.
- c. Summary analysis of financial, technical, economic, and social aspects of project.
- d. Project timeline.
- e. Detailed IBNPB PSAT analysis which includes project's strengths and weakness in terms of the various parameters, such as strategic suitability, feasibility, risk assessment, PPP suitability, and fiscal affordability including the detailed score of the screening.
- f. Conclusion and recommendations.

STAGE 4:

DEVELOPMENT OF THE IBNPB

4.1. Project Inclusion in the IBNPB

The PAR of each project will indicate the score of the project. Projects with IBNPB PSAT overall scores between 2.5 and 5 are considered suitable for implementation as PPPs and will be selected for inclusion in the IBNPB.

Projects that qualify through the IBNPB PSAT analysis are included in the IBNPB following Board approval to create a pipeline of bankable, credible, investable, and sustainable projects.

4.2. Implementation and Adaptation

This guideline for the development of the IBNPB is a step towards the development of a bankable, credible, investable, and sustainable project pipeline. This guideline will be enriched and updated, adher-

ing to legislative amendments, various institutional framework guidelines such as standard operating procedures, strategic plans, business plans, and capacity enhancements.

The execution and implementation of the IBNPB guideline will depend on various factors such as the development and integration of the IBNPBMIS with the guideline; the development and integration of various screening tools such as the IBNPB PSAT; establishment and capacity enhancement of the PPP unit to use the various tools and procedures built into the IBNPB guideline; recognition and buy-in of the IBNPB framework and guideline by various line ministries, provincial and local line agencies, and other concerned stakeholders; and finally the institutionalization and approval of the IBNPB guideline by the IBN Board.



ANNEXES

ANNEX 1: TEMPLATE FOR PROJECT IDEA NOTE (PIN)

1.1 LONG LIST

Form for Project Idea Note (Long List)
Government of Nepal
Office of Investment Board Nepal

This form has been developed for the purpose of standardizing information for all projects identified/collected through various agencies and are in different stages of preparation.

A	General Information on the Project		
A.1	Project Name		
A.2	Project ID/Code		
A.3	Estimated Project Cost (Including Reference Year)		
A.4	Sector	1. Economic Sector 2. Social Sector 3. Infrastructure Sector 4. Democracy, Good Governance & Cross Cutting Sector	1) Economic Sub-Sector: Agriculture Irrigation Industry Tourism Mines and Minerals Other 2) Social Sub-Sector: Health Education Water Supply & Sanitation Other 3) Infrastructure Sub-Sector: Energy Transportation Urban Development ICT Other 4) Democracy, Good Governance & Cross Cutting Sub-Sector Democracy Good Governance Cross Cutting Other
A.5	Line Agency		
A.6	Project Location (if identified)	Coordinates: Area: Public/Private/Forest land:	

Form for Project Idea Note (Long List)**Government of Nepal****Office of Investment Board Nepal**

This form has been developed for the purpose of standardizing information for all projects identified/collected through various agencies and are in different stages of preparation.

A.7	Project Implementation Modality (If known)	PPP Private Other	Type of PPP Build & Transfer (BT) Build, Operate & Transfer (BOT) Build, Own, Operate & Transfer (BOOT) Built, Transfer & Operate (BTO) Lease, Operate & Transfer (LOT) Lease, Built, Operate & Transfer (LBOT) Development, Operate & Transfer (DOT) Management, Operate & Transfer (MOT) Rehabilitation, Operate & Transfer (ROT) Other
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B	Project Specifics	Please provide detailed information
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B.1	IBN Mandate	Does the project fall within IBN's Mandate? Yes..... No..... If "yes", Which mandate? Project Cost > NRs. 6 billion ----- Energy Projects > 200MW
B.2	GoN Priority Projects/ Strategic Importance	Does the project align with national plans or other medium/long term strategic documents that establish development priorities? Yes..... (Go to Question B.3) No..... Please select as appropriate: <ul style="list-style-type: none"> • Projects/sectors identified in the NPC's fifteenth plan (Fiscal year 2019/20-2023/24) • Project identified in recent Fiscal Policy (Ministry of Finance) • Project identified/approved through previous IBN Board decisions • Project listed in National Project Bank • Projects identified by the Provincial investment authority • Project identified in the sectoral plan • Other (Please specify)

Form for Project Idea Note (Long List)**Government of Nepal****Office of Investment Board Nepal**

This form has been developed for the purpose of standardizing information for all projects identified/collected through various agencies and are in different stages of preparation.

B.3	Project Duplication	<p>B.3.1 Has the investor selection process/ tendering been initiated by another line agency under public expenditure or PPP?</p> <p>Yes..... (Go to Question B.3.2)</p> <p>No.....</p> <p>B.3.2 Can this project still be justified for development?</p> <p>Yes.....</p> <p>No.....</p> <p>If “yes”, please provide a brief justification.</p>
B.4	Project Stage	<p>Concept Note</p> <p>Prefeasibility</p> <p>Feasibility</p> <p>Detailed Project Report</p> <p>Other (Specify)</p> <p>Date of each document prepared</p>
B.5	Brief description of the project including salient features	
B.6	Compliance with negative list as per FITTA 2019, PPPIA 2019 and Industrial Enterprise Act 2020	<p>B.6.1 Do any of the project's components fall in the negative list as per FITTA 2019?</p> <p>Yes.....</p> <p>No.....</p> <p>B.6.2 Do any of the project's components fall in the negative list as per PPPIA 2019?</p> <p>Yes.....</p> <p>No.....</p> <p>B.6.3 Do any of the project's components fall in the negative list as per Industrial Enterprise Act 2020?</p> <p>Yes.....</p> <p>No.....</p>
B.7	Project scope and components	List out all the project components
B.8	Environmental Study (Brief Environmental Study/ Initial Environmental Examination/ Environmental Impact Assessment) as per Environment Protection Act 2019 and its Rules 2020.	<p>Has the Environmental Study process started?</p> <p>Yes.....</p> <p>No.....</p> <p>If “yes”, please provide a brief status</p>

Form for Project Idea Note (Long List)**Government of Nepal****Office of Investment Board Nepal**

This form has been developed for the purpose of standardizing information for all projects identified/collected through various agencies and are in different stages of preparation.

C Project Financials

- C.1 Financial Indicators Is the Financial Analysis already done?
- Yes
- No.....
- If “yes”, please provide the following details:
- Internal Rate of Return (IRR) :
- Net Present Value (NPV) :
- Pay Back Period (PBP) :
- Debt to Equity Ratio :
- Debt Service Coverage Ratio (DSCR) :

Guidelines to fill the template for the Project Idea Note:

A	General Information of the Project	This section consists of general information about the project.
A.1	Project Name	Provide the name of the project.
A.2	Project ID/Code	Provide the project ID/code if assigned already.
A.3	Estimated Project Cost (Including Reference Year)	Provide the total estimated project cost including the reference year.
A.4	Sector	Select the relevant sector from the provided options.
A.5	Line Agency	Indicate the line agency(s) for cooperation and coordination on the project.
A.6	Project Location (if identified)	Provide the coordinates and area of the project location if available. Indicate if the land identified is public/private/forest land.
A.7	Project Implementation Modality (If known)	Provide the project implementation modality if available. Choose from the list provided.
B	Project Specific	This part consists of information directly related to the project.
B.1	IBN Mandate	Select “yes” if the project falls within the IBN mandate. Also select the category from the list.
B.2	GoN Priority Projects/ Strategic Importance	Select the appropriate criteria and provide a brief description to justify the selected criteria.
B.3	Project Duplication	Select appropriate answer to question B.3.1. If “yes”, please answer B.3.2 and provide a brief justification to move.
B.4	Project Stage	Project stage regarding the availability of the existing documents (Concept Note, Prefeasibility, Feasibility, Detailed Feasibility, Detail Project Report etc.). Also provide information when the document was prepared.
B.5	Brief description of project including salient features	Provide a brief note on project description including the salient features of the project.

Form for Project Idea Note (Long List)**Government of Nepal****Office of Investment Board Nepal**

This form has been developed for the purpose of standardizing information for all projects identified/collected through various agencies and are in different stages of preparation.

B.6	Compliance with Negative list	Please select the appropriate answer for each question based on the following guidelines: B.6.1 Industries/Business Restricted for Foreign Investment as per schedule (relating to sub-section (2) of Section 3) of FITTA 2019 B.6.2 Project which falls under section 18 of PPPIA 2019 B.6.3 Industrial Enterprise Act, section 8 (Annex 1)
B.7	Project components	List out all the components of the project.
B.8	Environmental Study	Select “yes” if environmental study process has been already started, else select “no”. If “yes” then please include a brief on the status.
C	Project Financials	If financial analysis is done already, then provide all the information requested in the Financial Indicators Section.

1.2. SHORT LIST (SECTOR SPECIFIC)

1.2.1. Democracy, Good Governance & Cross Cutting Sector

Project Idea Note (PIN) Short List - Democracy, Good Governance & Cross Cutting Sector
Government of Nepal
Office of Investment Board Nepal

This form has been developed for the purpose of standardizing information for all the projects which were identified/collected through various agencies and are in different stages of preparation.

A General Information on the Project

A.1 Project Name

A.2 Project ID/Code

A.3 Estimated Project Cost
(Including Reference Year)

A.4 Sub-Sector
 Democracy
 Good Governance
 Cross Cutting
 Other

A.5 Line Agency

A.6 Project Location (if identified)
 Coordinates:
 Area:
 Public/Private/Forest land:

A.7 Project Implementation
 Modality (If known)

PPP
 Private
 Other

Type of PPP

Build & Transfer (BT)
 Build, Operate & Transfer (BOT)
 Build, Own, Operate & Transfer (BOOT)
 Built, Transfer & Operate (BTO)
 Lease, Operate & Transfer (LOT)
 Lease, Built, Operate & Transfer (LBOT)
 Development, Operate & Transfer (DOT)
 Management, Operate & Transfer (MOT)
 Rehabilitation, Operate & Transfer (ROT)
 Other

B Project Specific

B.1 IBN Mandate
 Does the project fall within IBN's Mandate?
 Yes.....
 No.....
 If "yes", Which mandate?
 Project Cost > NRs. 6 billion -----
 Energy Projects > 200MW

Project Idea Note (PIN) Short List - Democracy, Good Governance & Cross Cutting Sector
Government of Nepal
Office of Investment Board Nepal

This form has been developed for the purpose of standardizing information for all the projects which were identified/collected through various agencies and are in different stages of preparation.

B.2 GoN Priority Projects/ Strategic Importance	Please select as appropriate: <ul style="list-style-type: none"> • Projects/sectors identified in the NPC's 15th plan (Fiscal year 2019/20-2023/24) • Project identified in recent Fiscal Policy (Ministry of Finance) • Project identified/approved through previous IBN Board decisions • Project Listed in National Project Bank • Projects identified by the Provincial Investment Authority • Project identified in the sectoral plan • Other (Please Specify) 	
B.3 Project Duplication	B.3.1 Has the investor selection process/ tendering been initiated by another line agency under public expenditure? Yes..... (Go to Question B.3.2) No..... B.3.2 Can this project still be justified for development? Yes..... No..... If "yes", please provide a brief justification.	
B.4 Project Stage	Concept Note Prefeasibility Feasibility Detail Project Report Other (Specify)	Date of each document prepared
B.5 Brief description of the project including salient features		
B.6 Compliance with negative list as per FITTA 2019, PPPIA 2019 and Industrial Enterprise Act 2020	B.6.1 Do any of the project's components falls in the negative list as per FITTA 2019? Yes..... No..... B.6.2 Do any of the project's components falls in the negative list as per PPPIA 2019? Yes..... No..... B.6. Do any of the project's components in the negative list as per Industrial Enterprise Act 2020? Yes..... No.....	

Project Idea Note (PIN) Short List - Democracy, Good Governance & Cross Cutting Sector
Government of Nepal
Office of Investment Board Nepal

This form has been developed for the purpose of standardizing information for all the projects which were identified/collected through various agencies and are in different stages of preparation.

B.7	Project components	List out all the project components	
B.8	Environmental Study	Has the Environmental Study process started? Yes..... No..... If "yes", please provide a brief status	
C	Project Financials		
C.1	Financial Indicators	Has the financial analysis already been done? Yes No..... If yes, please provide the following details: Internal Rate of Return (IRR) Net Present Value (NPV) Pay Back Period (PBP)	Internal Rate of Return (IRR) Net Present Value (NPV) Pay Back Period (PBP) Debt to Equity Ratio Debt Service Coverage Ratio (DSCR)

Guidelines to fill out the forms for the Project Snapshot

A	General Information of the Project	This section consists of general information about the project.
A.1	Project Name	Provide the name of the Project.
A.2	Project ID/Code	Provide the project ID/code if assigned already.
A.3	Estimated Project Cost (Including Reference Year)	Provide the total estimated project cost including the reference year.
A.4	Sub-Sector	Select the relevant sub-sector from the options provided.
A.5	Line Agency	Indicate the line agency(s) for cooperation and coordination on the project.
A.6	Project Location (if identified)	Provide the coordinates and area of the project location if available. Also indicate if the land identified is public/private/forest land.
A.7	Project Implementation Modality (If known)	Provide the project implementation modality if available. Choose from the list provided.
B	Project Specific	This part consists of information directly related to the project.
B.1	IBN Mandate	Select "yes" if the project falls within the IBN mandate. Also select the category from the list.
B.2	GoN Priority Projects/ Strategic Importance	Select the appropriate criteria and provide brief description to justify the selected criteria.
B.3	Project Duplication	Select appropriate answer to question B.3.1. If "yes", please answer B.3.2 and provide a brief justification.

Project Idea Note (PIN) Short List - Democracy, Good Governance & Cross Cutting Sector
Government of Nepal
Office of Investment Board Nepal

This form has been developed for the purpose of standardizing information for all the projects which were identified/collected through various agencies and are in different stages of preparation.

B.4	Project Stage	Project stage in regard to the availability of the existing documents (Concept Note, Prefeasibility, Feasibility, Detail Feasibility, Detail Project Report, etc.). Also provide information when the document was prepared.
B.5	Brief description of project including salient features	Provide a brief note on project description including the salient features of the project.
B.6	Compliance with Negative list	Please select the appropriate answer for each question based on the following guidelines: B.6.1 Industries/Business Restricted for Foreign Investment as per schedule (relating to sub-section (2) of Section 3) of FITTA 2019 B.6.2 Project which fall under section 18 of PPPIA 2019 B.6.3 Industrial Enterprise Act, section 8 (Annex 1)
B.7	Project components	List out all the components of the project.
B.8	Environmental Study	Select "yes" if Environmental Study process has been already started otherwise select "no". If answered "yes" then please include a brief on the status.
C	Project Financials	If financial analysis is done already, then provide all the information requested in the Financial Indicators Section.
C.1	Financial Indicators	If financial analysis is done already, then provide the following information: Internal Rate of Return (IRR) Net Present Value (NPV) Pay Back Period (PBP)

1.2.2. Economic Sector

Project Idea Note (PIN) Short List - Economic Sector		
Government of Nepal		
Office of Investment Board Nepal		
This form has been developed for the purpose of standardizing of information for all the projects which were identified/collected through various agencies and are in different stages of preparation.		
A	General Information of the Project	
A.1	Project Name	
A.2	Project ID/Code	
A.3	Estimated Project Cost (Including Reference Year)	
A.4	Sub-Sector	Agriculture Irrigation Industry Tourism Mines and Minerals Other
A.5	Line Agency	
A.6	Project Location (if identified)	Coordinates: Area: Public/Private/Forest land:
A.7	Project Implementation Modality (If known)	<div> <div> PPP Private Other </div> <div> Type of PPP Build & Transfer (BT) Build, Operate & Transfer (BOT) Build, Own, Operate & Transfer (BOOT) Built, Transfer & Operate (BTO) Lease, Operate & Transfer (LOT) Lease, Built, Operate & Transfer (LBOT) Development, Operate & Transfer (DOT) Management, Operate & Transfer (MOT) Rehabilitation, Operate & Transfer (ROT) Other </div> </div>
B	Project Specific	
B.1	IBN Mandate	Does the project fall within IBN's Mandate? Yes..... No..... If "yes", Which mandate? Project Cost > NRs.6 billion ----- Energy Projects > 200MW

Project Idea Note (PIN) Short List - Economic Sector
Government of Nepal
Office of Investment Board Nepal

This form has been developed for the purpose of standardizing of information for all the projects which were identified/collected through various agencies and are in different stages of preparation.

B.2 GoN Priority Projects/ Strategic Importance	<p>Please select as appropriate:</p> <ul style="list-style-type: none"> • Projects/Sectors identified in the NPC's fifteenth plan (Fiscal year 2019/20-2023/24) • Project identified in recent Fiscal Policy (Ministry of Finance) • Project identified/approved through previous IBN Board decisions • Project Listed in National Project Bank • Projects identified by the Provincial Investment Authority • Project identified in the sectoral plan • Other (Please Specify) 	
B.3 Project Duplication	<p>B.3.1 Has the investor selection process/tendering been initiated by another line agency under public expenditure?</p> <p>Yes..... (Go to Question B.3.2)</p> <p>No.....</p> <p>B.3.2 Can this project still be justified for development?</p> <p>Yes.....</p> <p>No.....</p> <p>If "yes", please provide a brief justification.</p>	
B.4 Project Stage	<p>Concept Note</p> <p>Prefeasibility</p> <p>Feasibility</p> <p>Detail Project Report</p> <p>Other (Specify)</p>	Date of each document prepared
B.5 Brief description of the project including salient features		

Project Idea Note (PIN) Short List - Economic Sector
Government of Nepal
Office of Investment Board Nepal

This form has been developed for the purpose of standardizing of information for all the projects which were identified/collected through various agencies and are in different stages of preparation.

B.6 Compliance with negative list as per FITTA 2019, PPPIA 2019 and Industrial Enterprise Act 2020

B.6.1 Do any of the project's components falls in the negative list as per FITTA 2019?

Yes.....

No.....

B.6.2 Do any of the project's components falls in the negative list as per PPPIA 2019?

Yes.....

No.....

B.6.3 Do any of the project's components falls in the negative list as per Industrial Enterprise Act 2020?

Yes.....

No.....

B.7 Project components List out all the project components

B.8 Environmental Study Has the Environmental Study process started?

Yes.....

No.....

If "yes", please provide a brief status

C Project Financials

C.1 Financial Indicators	Is the Financial Analysis already done? Yes No..... If "yes", please provide the following details: Internal Rate of Return (IRR) Net Present Value (NPV) Pay Back Period (PBP)	Internal Rate of Return (IRR) Net Present Value (NPV) Pay Back Period (PBP) Debt to Equity Ratio Debt Service Coverage Ratio (DSCR)
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Guidelines to fill out the forms for the Project Snapshot

A General Information of the Project	This section consists of general information about the project
A.1 Project Name	Provide the name of the project.
A.2 Project ID/Code	Provide the Project ID/Code if assigned already.
A.3 Estimated Project Cost (Including Reference Year)	Provide the total estimated project cost including the reference year.
A.4 Sub-Sector	Select the relevant sub-sector from the options provided.
A.5 Line Agency	Indicate the line agency(s) for cooperation and coordination on the project.

Project Idea Note (PIN) Short List - Economic Sector**Government of Nepal****Office of Investment Board Nepal**

This form has been developed for the purpose of standardizing of information for all the projects which were identified/collected through various agencies and are in different stages of preparation.

A.6	Project Location (if identified)	Provide the coordinates and area of the project location if available. Indicate if the land identified is public/private/forest land.
A.7	Project Implementation Modality (If known)	Provide the project implementation modality if available. Choose from the list provided.
B	Project Specific	This part consists of information directly related to the project.
B.1	IBN Mandate	Select “yes” if the project falls within the IBN mandate. Also select the category from the list.
B.2	GoN Priority Projects/ Strategic Importance	Select the appropriate criteria and provide a brief description to justify the selected criteria.
B.3	Project Duplication	Select appropriate answer to question B.3.1. If “yes”, please answer B.3.2 and provide a brief justification.
B.4	Project Stage	Project stage regarding the availability of the existing documents (Concept Note, Prefeasibility, Feasibility, Detail Feasibility, Detail Project Report etc.). Also provide information when the document was prepared.
B.5	Brief description of project including salient features	Provide a brief note on project description including the salient features of the project.
B.6	Compliance with Negative list	Please select the appropriate answer for each question based on the following guidelines: B.6.1 Industries/ Business Restricted for Foreign Investment as per schedule (relating to sub-section (2) of Section 3) of FITTA 2019 B.6.2 Project which fall under section 18 of PPPIA 2019 B.6.3 Industrial Enterprise Act, section 8 (Annex 1)
B.7	Project components	List out all the components of the project
B.8	Environmental Study	Select “yes” if Environmental Study process has been already started otherwise select “no”. If answered “yes” then please include a brief on the status.
C	Project Financials	If financial analysis is done already, then provide all the information requested in the Financial Indicators Section.
C.1	Financial Indicators	If financial analysis is done already, then provide the following information: Internal Rate of Return (IRR) Net Present Value (NPV) Pay Back Period (PBP)

1.2.3. Infrastructure Sector

Project Idea Note (PIN) Short List - Infrastructure Sector Government of Nepal Office of Investment Board Nepal		
This form has been developed for the purpose of standardization of information for all the projects which were identified/collected through various agencies and are in different stages of the preparation.		
A General Information of the Project		
A.1 Project Name		
A.2 Project ID/Code		
A.3 Estimated Project Cost (Including Reference Year)		
A.4 Sub-Sector	Energy Transportation Urban Development ICT Other	
A.5 Line Agency		
A.6 Project Location (if identified)	Coordinates: Area: Public/Private/Forest land:	
A.7 Project Implementation Modality (If known)	PPP Private Other	Type of PPP Build & Transfer (BT) Build, Operate & Transfer (BOT) Build, Own, Operate & Transfer (BOOT) Built, Transfer & Operate (BTO) Lease, Operation & Transfer (LOT) Lease, Built, Operate & Transfer (LBOT) Development, Operate & Transfer (DOT) Management, Operate & Transfer (MOT) Rehabilitation, Operate & Transfer (ROT) Other
B Project Specific		
B.1 IBN Mandate	Does the project fall within IBN's Mandate? Yes..... No..... If yes, Which mandate? Project Cost > NRs. 6 billion ----- Energy Projects > 200MW	

Project Idea Note (PIN) Short List - Infrastructure Sector
Government of Nepal
Office of Investment Board Nepal

This form has been developed for the purpose of standardization of information for all the projects which were identified/collected through various agencies and are in different stages of the preparation.

B.2 GoN Priority Projects/ Strategic Importance	<p>Please select as appropriate:</p> <ul style="list-style-type: none"> • Projects/Sectors identified in the NPC's fifteenth plan (Fiscal year 2019/20-2023/24) • Project identified in recent Fiscal Policy (Ministry of Finance) • Project identified/approved through previous IBN Board decisions • Project Listed in National Project Bank • Projects identified by the Provincial Investment Authority • Project identified in the sectoral plan • Other (Please Specify) 	
B.3 Project Duplication	<p>B.3.1 Has the investor selection process/tendering been initiated by another line agency under public expenditure?</p> <p>Yes..... (Go to Question B.3.2)</p> <p>No.....</p> <p>B.3.2 Can this project still be justified for development?</p> <p>Yes.....</p> <p>No.....</p> <p>If "yes", please provide a brief justification</p>	
B.4 Project Stage	<p>Concept Note</p> <p>Prefeasibility</p> <p>Feasibility</p> <p>Detailed Feasibility</p> <p>Detail Project Report</p> <p>Other (Specify)</p>	<p>Date of each document prepared</p>
B.5 Brief description of the project including salient features		

Project Idea Note (PIN) Short List - Infrastructure Sector
Government of Nepal
Office of Investment Board Nepal

This form has been developed for the purpose of standardization of information for all the projects which were identified/collected through various agencies and are in different stages of the preparation.

B.6 Compliance with negative list as per FITTA 2019, PPPIA 2019 and Industrial Enterprise Act 2020

B.6.1 Do any of the project's components falls in the negative list as per FITTA 2019?

Yes.....

No.....

B.6.2 Do any of the project's components falls in the negative list as per PPPIA 2019?

Yes.....

No.....

B.6.3 Do any of the project's components falls in the negative list as per Industrial Enterprise Act 2020?

Yes.....

No.....

B.7 Project components List out all the project components

B.8 Environmental Study

Has the Environmental Study process started?

Yes.....

No.....

If "yes", please provide a brief status

C Project Financials

C.1 Financial Indicators	<p>Has the Financial Analysis been done already?</p> <p>Yes</p> <p>No.....</p> <p>If yes, please provide the following details:</p> <p>Internal Rate of Return (IRR)</p> <p>Net Present Value (NPV)</p> <p>Pay Back Period (PBP)</p>	<p>Internal Rate of Return (IRR)</p> <p>Net Present Value (NPV)</p> <p>Pay Back Period (PBP)</p> <p>Debt to Equity Ratio</p> <p>Debt Service Coverage Ratio (DSCR)</p>
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Guidelines to fill out the forms for the Project Snapshot

A General Information of the Project	This section consists of general information about the project.
A.1 Project Name	Provide the name of the project.
A.2 Project ID/Code	Provide the project ID/code if assigned already.
A.3 Estimated Project Cost (Including Reference Year)	Provide the total estimated project cost including the reference year.
A.4 Sub-Sector	Select the relevant sub-sector from the options provided.
A.5 Line Agency	Indicate the line agency (s) for the cooperation and coordination of the project

Project Idea Note (PIN) Short List - Infrastructure Sector
Government of Nepal
Office of Investment Board Nepal

This form has been developed for the purpose of standardization of information for all the projects which were identified/collected through various agencies and are in different stages of the preparation.

A.6	Project Location (if identified)	Provide the coordinates and area of the project location if available. Also Indicate if the land identified is Public/Private/Forest land.
A.7	Project Implementation Modality (If known)	Provide the Project implementation modality if available. Choose from the list provided.
B	Project Specific	This part consists of information directly related to the project
B.1	IBN Mandate	Select “yes” if the project falls within the IBN mandate. Also select the category from the list
B.2	GoN Priority Projects/ Strategic Importance	Select the appropriate criteria and provide brief description to justify the selected criteria
B.3	Project Duplication	Select appropriate answer to question B.3.1. If “yes”, please answer B.3.2 and provide a brief justification.”
B.4	Project Stage	Project stage regarding the availability of the existing documents (Concept Note, Prefeasibility, Feasibility, Detailed Feasibility, Detail Project Report, etc.). Also provide information when the document was prepared.
B.5	Brief description of project including salient features	Provide a brief note on project description including the salient features of the project.
B.6	Compliance with Negative list	Please select the appropriate answer for each question based on the following guidelines: B.6.1 Industries/Business Restricted for Foreign Investment as per schedule (relating to sub-section (2) of Section 3) of FITTA 2019 B.6.2 Project which fall under section 18 of PPPIA 2019 B.6.3 Industrial Enterprise Act, section 8 (Annex 1)
B.7	Project components	List out all the components of the project.
B.8	Environmental Study	Select “yes” if Environmental Study process has been already started else select “no”. If answered “yes” then please include a brief on the status.
C	Project Financials	If financial analysis is done already then provide all the information requested in the Financial Indicators Section
C.1	Financial Indicators	If financial analysis is done already then provide the following information: Internal Rate of Return (IRR) Net Present Value (NPV) Pay Back Period (PBP)

1.2.4. Social Sector

Project Idea Note (PIN) Short List - Social Sector Government of Nepal Office of Investment Board Nepal

This form has been developed for the purpose of standardizing of information for all the projects which were identified/collected through various agencies and are in different stages of preparation.

A General Information on the Project		
A.1	Project Name	
A.2	Project ID/Code	
A.3	Estimated Project Cost (Including Reference Year)	
A.4	Sub-Sector	Health Education Water Supply & Sanitation Other
A.5	Line Agency	
A.6	Project Location (if identified)	Coordinates: Area: Public/Private/Forest land:
A.7	Project Implementation Modality (If known)	<div> <div> PPP Private Other </div> <div> Type of PPP Build & Transfer (BT) Build, Operate & Transfer (BOT) Build, Own, Operate & Transfer (BOOT) Built, Transfer & Operate (BTO) Lease, Operate & Transfer (LOT) Lease, Built, Operate & Transfer (LBOT) Development, Operate & Transfer (DOT) Management, Operate & Transfer (MOT) Rehabilitation, Operate & Transfer (ROT) Other </div> </div>
B Project Specific		
B.1	IBN Mandate	Does the project fall within IBN's Mandate? Yes..... No..... If yes, Which mandate? Project Cost > NRs. 6 billion NPR ----- Energy Projects > 200MW
B.2	GoN Priority Projects/ Strategic Importance	Please select as appropriate: <ul style="list-style-type: none"> • Projects/Sectors identified in the NPC's fifteenth plan (Fiscal year 2019/20-2023/24) • Project identified in recent Fiscal Policy (Ministry of Finance) • Project identified/approved through previous IBN Board decisions • Project Listed in National Project Bank • Projects identified by the Provincial Investment Authority • Project identified in the sectoral plan • Other (Please Specify)

Project Idea Note (PIN) Short List - Social Sector
Government of Nepal
Office of Investment Board Nepal

This form has been developed for the purpose of standardizing of information for all the projects which were identified/collected through various agencies and are in different stages of preparation.

B.3 Project Duplication	<p>B.3.1 Has the investor selection process/tendering been initiated by another line agency under public expenditure?</p> <p>Yes..... (Go to Question B.3.2)</p> <p>No.....</p> <p>B.3.2 Can this project still be justified for development?</p> <p>Yes.....</p> <p>No.....</p> <p>"f "yes", please provide a brief justification</p>	
B.4 Project Stage	<p>Concept Note</p> <p>Prefeasibility</p> <p>Feasibility</p> <p>Detail Project Report</p> <p>Other (Specify)</p>	Date of each document prepared
B.5 Brief description of the project including salient features		
B.6 Compliance with negative list as per FITTA 2019, PPPIA 2019 and Industrial Enterprise Act 2020	<p>B.6.1 Do any of the project's components falls in the negative list as per FITTA 2019?</p> <p>Yes.....</p> <p>No.....</p> <p>B.6.2 Do any of the project's components falls in the negative list as per PPPIA 2019?</p> <p>Yes.....</p> <p>No.....</p> <p>B.6.3 Do any of the project's components falls in the negative list as per Industrial Enterprise Act 2020?</p> <p>Yes.....</p> <p>No.....</p>	
B.7 Project components		List out all the project components
B.8 Environmental Study	<p>Has the Environmental Study process started?</p> <p>Yes.....</p> <p>No.....</p> <p>If "yes", please provide a brief status</p>	

Project Idea Note (PIN) Short List - Social Sector
Government of Nepal
Office of Investment Board Nepal

This form has been developed for the purpose of standardizing of information for all the projects which were identified/collected through various agencies and are in different stages of preparation.

C Project Financials

C.1	Financial Indicators	Is the Financial Analysis already done?	Internal Rate of Return (IRR)
		Yes	Net Present Value (NPV)
		No.....	Pay Back Period (PBP)
		If yes, please provide the following details:	Debt to Equity Ratio
		Internal Rate of Return (IRR)	Debt Service Coverage Ratio (DSCR)
		Net Present Value (NPV)	
		Pay Back Period (PBP)	

Guidelines to fill out the forms for the Project Snapshot

A	General Information of the Project	This section consists of general information about the project.
A.1	Project Name	Provide the name of the project.
A.2	Project ID/Code	Provide the project ID/code if assigned already.
A.3	Estimated Project Cost (Including Reference Year)	Provide the total estimated project cost including the reference year.
A.4	Sub-Sector	Select the relevant sub-sector from the options provided.
A.5	Line Agency	Indicate the line agency(s) for cooperation and coordination on the project.
A.6	Project Location (if identified)	Provide the coordinates and area of the project location if available. Indicate if the land identified is public/private/forest land.
A.7	Project Implementation Modality (If known)	Provide the project implementation modality if available. Choose from the list provided.
B	Project Specific	This part consists of information directly related to the project
B.1	IBN Mandate	Select "yes" if the project falls within the IBN mandate. Also select the category from the list.
B.2	GoN Priority Projects/ Strategic Importance	Select the appropriate criteria and provide a brief description to justify the selected criteria.
B.3	Project Duplication	Select appropriate answer to question B.3.1. If "yes", please answer B.3.2 and provide a brief justification.
B.4	Project Stage	Project stage regarding the availability of the existing documents (Concept Note, Prefeasibility, Feasibility, Detail Feasibility, Detail Project Report etc.). Also Provide information when the document was prepared.
B.5	Brief description of project including salient features	Provide a brief note on project description including the salient features of the project.
B.6	Compliance with Negative list	Please select the appropriate answer for each question based on the following guidelines: B.6.1 Industries/Business Restricted for Foreign Investment as per schedule (relating to sub-section (2) of Section 3) of FITTA 2019 B.6.2 Project which fall under section 18 of PPPIA 2019 B.6.3 Industrial Enterprise Act, section 8 (Annex 1)

Project Idea Note (PIN) Short List - Social Sector
Government of Nepal
Office of Investment Board Nepal

This form has been developed for the purpose of standardizing of information for all the projects which were identified/collected through various agencies and are in different stages of preparation.

B.7	Project components	List out all the components of the project
B.8	Environmental Study	Select “yes” if Environmental Study process has been already started else select “no”. If answered “yes” then please include a brief on the status.
C	Project Financials	If financial analysis is done already, then provide all the information requested in the Financial Indicators Section.
C.1	Financial Indicators	If financial analysis is done already, then provide the following information: Internal Rate of Return (IRR) Net Present Value (NPV) Pay Back Period (PBP)

ANNEX 2: TEMPLATE FOR PREFEASIBILITY STUDY (ENERGY)

S. N.	Key Content	Sub-Contents
1	EXECUTIVE SUMMARY	Overall Summary
2	SALIENT FEATURES OF THE PROJECT	<ul style="list-style-type: none"> • Project location • Project features • Technical components • Indicative development modality • Indicative financials • Economic indicators
3	BACKGROUND	<ul style="list-style-type: none"> • Introduction • Overview on project-specific components and existing scenario (access road, availability of utility services etc.) • Need and objectives • Scope of work • Project site • Approach & methodology
4	MARKET ASSESSMENT AND PROJECT RATIONALE	<ul style="list-style-type: none"> • Power market assessment for the project (domestic and/or export) • Power demand in the market (domestic and/or regional), need and project's contributions. • Probable power trading (selling, buying) practices and rates • Current trading mechanism/practices in domestic and regional market (if export oriented) • Regional inclusiveness of the project
5	PROJECT DETAILS	<p>For example, hydro projects could contain the following details, but other energy projects should contain technical details as per the specific sector.</p> <p>A preliminary layout options of the project with rationale of various structures with various options such as:</p> <p>Headworks</p> <ul style="list-style-type: none"> • Location • Dam • Reservoir • Settling Basin, etc. <p>Waterway</p> <ul style="list-style-type: none"> • Tunnel • Penstock Pipe • Gross Head/ Net Head <p>Power Generation</p> <ul style="list-style-type: none"> • Powerhouse • Turbine • Capacity (MW) • Energy Generation • Power Evacuation <p>HYDROLOGICAL AND SEDIMENT STUDY</p> <ul style="list-style-type: none"> • Based on available data undertake hydrological studies in defining the design discharge (based on power market), various floods, low flow, etc. • Based on available data/empirical methods develop the sediment profile. <p>GEOLOGY</p> <p>Study and analyze the current geological condition of the project area based on available maps and information.</p>

S. N.	Key Content	Sub-Contents
6	FINANCIAL AND ECONOMIC ASSESSMENT	<ul style="list-style-type: none"> • Estimated project cost (based on the project layout, social and environmental mitigation cost and required pre-development costs (access road, land acquisitions, etc.)) • Financial analysis overview • Cost estimate (material cost, labor costs, construction cost; operating and maintenance costs, etc.). • Identification of the various cost component of the project. • Analysis of the various revenue components of the project. • Bill of quantities. • Prefeasibility approaches & assumptions. • Financial analysis overview. • Basic financial results (IRR, NPV, PBP, DSCR, B/C Ratio, etc.). • Sensitivity analysis. • Potential job creation (Direct and indirect). • Calculation of EIRR. • Assumption of financial and economic analysis. • Financial analysis with and without project. • Estimated project cost • Direct and indirect economic benefits • Qualitative VFM analysis
7	PRELIMINARY SOCIAL & ENVIRONMENTAL IMPACT AND ITS MITIGATION	<ul style="list-style-type: none"> • Possible environmental and social impacts • Mitigation measures and possible cost for various project layout options
8	PROJECT IMPLEMENTATION MODALITY	<ul style="list-style-type: none"> • Institutional and legal assessment • Responsibility of private sector • Responsibility of public sector
9	RISK ANALYSIS	<ul style="list-style-type: none"> • Various forms of risks that may impact the project • Market/investor appetite
10	CONCLUSIONS AND RECOMMENDATION	<ul style="list-style-type: none"> • Recommendations on the proposed layout/ development option for the project • Selling mechanism in domestic and regional market (if export oriented) • Next steps
11	ANNEXES	

ANNEX 3: TEMPLATE FOR PREFEASIBILITY STUDY (NON-ENERGY)

S. N.	Key Content	Sub-Contents
1	EXECUTIVE SUMMARY	Overall Summary
2	SALIENT FEATURES OF THE PROJECT	<ul style="list-style-type: none"> • Project location • Project features • Technical components • Indicative development modality • Indicative financials • Economic indicators
3	BACKGROUND	<ul style="list-style-type: none"> • Introduction • Rationale of project • Need and objective • Scope of works • Study area including overview of access road, availability of utility services, etc. • Approach and methodology • Regional inclusiveness of the project
4	STATUS QUO ASSESSMENT	<ul style="list-style-type: none"> • Review the context for the project, including the current institutional framework. • Summarize the government's policy in the sector/sub-sector to which the project belongs and the respective roles of the state and the private sector. • Describe the role of the economic entity in the sector/sub-sector and how it became involved in the project. If there were any previous attempts to initiate the project, explain why these failed. • Summarize the findings and conclusions of any preliminary or previous studies, including the pre-feasibility study, where relevant.
5	DEMAND ASSESSMENT AND MARKET SOUNDING	<ul style="list-style-type: none"> • Determine the current demand for the service being provided by the project. • Analyze the supply side of the project. • Examination of project alternatives. • Forecast the demand for design year. • SWOT Analysis. • Market assessment. • Existing investors in the market. • The willingness and ability to pay for the services by users. • Willingness to invest by investors.
6	PROJECT DETAILS	<ul style="list-style-type: none"> • Preliminary scope and design of project components. • Assessment of the key project components and business linkage. • Overview on project-specific components and existing scenario. • Technical details. • Technology to be used (existing technology or new technology).

S. N.	Key Content	Sub-Contents
7	PROJECT IMPLEMENTATION MODALITY	<ul style="list-style-type: none"> • Institutional and legal assessment. • Responsibility of private sector. • Responsibility of public sector.
8	FINANCIAL ANALYSIS AND ECONOMIC ASSESSMENT	<ul style="list-style-type: none"> • Estimated project cost. • Cost estimate (material cost, labor costs, construction cost; operating and maintenance costs, etc.). • Identification of the various cost components of the project. • Analysis of the various revenue components of the project. • Bill of quantities. • Prefeasibility approaches & assumptions. • Financial analysis overview. • Basic financial results (IRR, NPV, PBP, DSCR, B/C Ratio etc.). • Sensitivity analysis. • Potential job creation (Direct and indirect). • Calculation of EIRR. • Assumption of financial and economic analysis. • Financial analysis with and without project.
9	PRELIMINARY ENVIRONMENTAL IMPACT ASSESSMENT	<ul style="list-style-type: none"> • Possible environmental and social impacts • Mitigation measures and the possible cost for various project layout options
10	RISK ANALYSIS	<ul style="list-style-type: none"> • Various forms of risks that may impact the project • Market appetite
11	CONCLUSIONS AND RECOMMENDATION	<ul style="list-style-type: none"> • Is the project suitable for a PPP • Preferred procurement structure • Next steps
12	ANNEXES	

ANNEX 4: PROJECT CONCEPT NOTE (PCN) FORM TEMPLATE

Government Of Nepal Office of Investment Board Nepal Form for Project Concept Note (PCN)

A General Information on the project

Project Name

Pre-Development Period < = 2 years
 > 2 years <= 4 years
 > 4 years

Project Development Period Immediate term (<=3 Years)
 (Construction Period) Medium Term (>3 <= 6 Years)
 Long Term (>6 Years)

Concession Period after Com-
mercial Operation Date (COD)

Sector	1) Economic Sector 2) Social Sector 3) Infrastructure Sector 4) Democracy, Good Governance & Cross Cutting Sector	1) Economic Sub-Sector: Agriculture Irrigation Industry, Tourism Mines and Minerals Other 2) Social Sub-Sector: Health Education Water Supply & Sanitation Other 3) Infrastructure Sub-Sector: Energy Transportation Urban Development ICT Other 4) Democracy, Good Governance & Cross Cutting Sub-Sector Democracy Good Governance Cross Cutting Other
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Direct Employment Generation Number of direct jobs it creates

Location Province(s)
 District (s)
 Municipality(s)/ Rural Municipal-
 ity(s)

B Project Specific

B1. Brief description of project including salient features Please attach a brief note in the Annex referring to section B1.

B2. Brief description of major project components Please attach a brief note in the Annex referring to section B2.

B.3 Estimated project cost (Including reference year) Please provide more details in the Annex referring to section B3.

Government Of Nepal
Office of Investment Board Nepal
Form for Project Concept Note (PCN)

C Project Investment Arrangement

C.1 Possible sources of investment	GoN:	Amount
	Equity	.....
	Debt	.....
	Grant	.....
	Development Agencies:	.....
	Equity	.....
	Debt	.....
	Grant	.....
	Private Sector:	.....
	a. Domestic	.....
	Equity	.....
	Debt	.....
	b. FDI	.....
	Equity	.....
Debt	.....
Others (explain):		
C.2 Financial Indicators	Internal Rate of Return (IRR)	Please attach a separate note in the Annex referring section C.2 including the financial analysis model (if any).
	Net Present Value (NPV)	
	Pay Back Period (PBP)	
	Return on Equity (ROE)	
	Annual Debt Service Coverage Ratio (ADSCR)	
	Cost Benefit Ratio (CBR)	
	Debt to equity ratio	
	Cost of equity	Please project details related to user charge, expected tariff rates. Demand and volume projections.

D Economic Analysis

D.1 Economic analysis including calculation of ERR	Please attach a separate note in the Annex referring section D.1.
D.2 Details of the direct or indirect economic benefits from the project provided to local communities	Please attach a separate note in the Annex referring section D.2.

E Project Readiness (Technical Prefeasibility)

E1 Utility Services	
E2 Access Road	
E.3 Identification of Project Site(s)	<p>Has the project site(s) been identified?</p> <p>Yes No.....</p> <p>If Yes, Please Provide: Coordinates: Area: Public/Private/Forest land:</p> <p>Has a site suitability assessment been complete.</p> <p>Yes No.....</p> <p>If "yes", please provide details:</p>

Government Of Nepal
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Form for Project Concept Note (PCN)

E.4 Technology Used	<p>Is the technology used in the project been proven commercially in a similar environment previously?</p> <p>Yes</p> <p>No.....</p> <p>If “yes”, please provide details:</p>		
E.5 Skills required	<p>Are the skills required for construction, operations, and maintenance of the project available locally or overseas?</p> <p>Yes</p> <p>No.....</p> <p>If “yes”, please provide details:</p>		
E.6 Potential challenges	<p>Are there identified potential challenges during construction that are manageable within the proposed site?</p> <p>Yes</p> <p>No.....</p> <p>If “yes”, please provide details:</p>		
F Environmental and Social sustainability			
F.1 Preliminary environmental analysis	<table border="0"> <tr> <td data-bbox="565 1125 948 1293"> <p>Has a preliminary environmental analysis been conducted?</p> <p>Yes</p> <p>No.....</p> <p>If “yes”, please provide details:</p> </td> <td data-bbox="987 1125 1422 1839"> <p>Please provide a brief description of the environmental and social impacts. Please provide information in regard to negative impact on natural resources or protected land, compliance with national environmental and social safeguards, expected delays related to environmental or forest clearances/approvals, details of project design and impacts of potential natural and human induced hazards in the region, project’s features related to resilience and adaptability to long-term climatic changes, any proposed climate technologies.</p> <p>Details of baseline social impact analysis or scoping social impact assessment (if done), any adversity related to health and quality of life of users, workers, or the local community.</p> <p>Please attach a brief note in the Annex referencing section F.</p> </td> </tr> </table>	<p>Has a preliminary environmental analysis been conducted?</p> <p>Yes</p> <p>No.....</p> <p>If “yes”, please provide details:</p>	<p>Please provide a brief description of the environmental and social impacts. Please provide information in regard to negative impact on natural resources or protected land, compliance with national environmental and social safeguards, expected delays related to environmental or forest clearances/approvals, details of project design and impacts of potential natural and human induced hazards in the region, project’s features related to resilience and adaptability to long-term climatic changes, any proposed climate technologies.</p> <p>Details of baseline social impact analysis or scoping social impact assessment (if done), any adversity related to health and quality of life of users, workers, or the local community.</p> <p>Please attach a brief note in the Annex referencing section F.</p>
<p>Has a preliminary environmental analysis been conducted?</p> <p>Yes</p> <p>No.....</p> <p>If “yes”, please provide details:</p>	<p>Please provide a brief description of the environmental and social impacts. Please provide information in regard to negative impact on natural resources or protected land, compliance with national environmental and social safeguards, expected delays related to environmental or forest clearances/approvals, details of project design and impacts of potential natural and human induced hazards in the region, project’s features related to resilience and adaptability to long-term climatic changes, any proposed climate technologies.</p> <p>Details of baseline social impact analysis or scoping social impact assessment (if done), any adversity related to health and quality of life of users, workers, or the local community.</p> <p>Please attach a brief note in the Annex referencing section F.</p>		

**Government Of Nepal
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Form for Project Concept Note (PCN)**

G	Market Assessment and Demand Analysis	Please provide a brief description of market assessment and demand analysis. Please also provide information on market sounding (existing investor/s in the market; willingness, and ability to pay for the services by users; willingness to invest by investors). Please attach a brief note in the Annex referencing section G.
H	Risk assessment	Provide details of the following key risks related to the project: i. Risk of delay in land acquisition ii. Financing risk iii. Design and construction risk iv. Operation and maintenance risk v. Market and demand risk Please attach a brief note in the Annex referencing section H.
I	Qualitative Value for Money Analysis (VFM)	Please attach the qualitative VFM tool sheet in the Annex referencing section I.

Guidelines to fill out the Form for Project Concept Note (PCN)		
S. N	Heading	Explanation
A	General Information	This section consists of general information about the project.
	Project Name	Write the name of the project.
	Pre-Development Period	Period before the start of the project construction.
	Project Development Period (Construction Period)	Period for the construction of the project.
	Concession Period after Commercial Operation Date (COD)	Provide number of years of the concession period after commercial operation date.
	Sector	Select the relevant sector and sub sectors from the options provided.
	Direct Employment Generation	Provide the total number of direct jobs the project is likely to generate.
	Location	Fill in the name of the province(s), District(s) as well as Municipality(s)/Rural Municipality(s).
B	Project Specific	This part consists of information directly related to the project.
B1	Brief description of project including salient features	Provide a brief note on project description including the salient features of the project in the Annex.
B2	Brief Description of Project Components	Provide a brief note on all the components of the project in the Annex.
B3	Estimated Cost (Including Reference Year)	Provide the estimated cost of the project including reference year.
C	Project Investment Arrangement	This part of the information includes project financing structure and sources of funding.
C1	Possible source of Investment	Please select the appropriate options from those available.
C2	Financial Indicators	Provide all the information as indicated.
D	Economic Analysis	
D1	Description of Economic analysis	An economic analysis including calculation of EIRR should be provided separately in the Annex.
E	Project Readiness	
E1	Utility Services	Brief note on existing utility services available in the project site along with the identification of services which need to be provided.
E2	Access Road	Brief note on access roads and their existing conditions.
E3	Identification of Project Site(s)	Typically, the following aspects will be covered in a technical prefeasibility: <ul style="list-style-type: none"> • Appropriateness of the technology • Comparison of the scope of the project with other similar projects • Assessment of the completeness of the project cost estimates vis-à-vis the project delivery/output specification requirements • Analysis of lifecycle costs for major project components, whether reasonable and affordable • Site suitability based on geo-technical requirements, project requirements, and regulatory risks • Site accessibility from the perspective of construction management, for example, assessing the availability of borrow earth/ aggregates, site for pre-casting structural components, site flexibility to manage construction in brownfield projects, and so forth • Availability of skilled workers for construction, operations, and maintenance of the project.

Guidelines to fill out the Form for Project Concept Note (PCN)		
S. N	Heading	Explanation
	Environmental and social sustainability	The preliminary analysis of environmental aspects will include an understanding of the project's impacts on key environmental aspects, environmental scoping, outlining environmental management work plans for downstream activities, and other related works that would feed into an initial Environmental Impact Assessment. The preliminary social analysis could include an early identification of the project's influence area and people affected by the project.
	Market Assessment and Demand Analysis	Please provide a brief description of Market Assessment and Demand Analysis. Please also provide information on Market Sounding (Existing investor in the market, willingness, and ability to pay for the services by users, willingness to invest by Investors).
	Risk assessment	The risk assessment assists in identifying the overall risk associated with the project and helps in providing a systematic examination of the various problems, challenges and hazards that may arise during the development and implementation. The assessment also helps to reduce the adverse effects and outlines the impacts of various identified risks. It helps to investigate the various risks related to the project specifically risks related to delay in land acquisition, financing risk, design and construction risk, operation and maintenance risk, market risk and demand risk.
	Qualitative Value for Money Analysis (VFM)	Qualitative VFM analysis includes assessment of project in terms of suitability for PPP and is also aimed to determine the drivers/factors that enhance the achievement of VFM, such as private sector experience and expertise in effective project management, a whole-of-life costing approach, innovation, fiscal risk and public liabilities reduction, and effective revenue collection.

ANNEX 5: PROJECT IDEA NOTE (PIN) ASSESSMENT CHECKLIST

GOVERNMENT OF NEPAL OFFICE OF INVESTMENT BOARD NEPAL		
PROJECT IDEA NOTE (PIN) ASSESSMENT CHECKLIST		
Key Content	Yes	NO
Have a coordination mechanism been identified to source projects ?		
Are the projects sourced and indentified from the particular five source mentions in fig 2 of the guideline ?	<input type="checkbox"/>	<input type="checkbox"/>
Have the legal and administrative procedures been met ?	<input type="checkbox"/>	<input type="checkbox"/>
Is there a institutional capacity to fill in PIN through the IBN PBMIS ?	<input type="checkbox"/>	<input type="checkbox"/>
Are all the concerned stakeholders identified in the projcet identifi- cation process consulted before development of the long list ?	<input type="checkbox"/>	<input type="checkbox"/>
Have the guideline handbook been circulated to the concerned stakeholders sourcing the projcet ?	<input type="checkbox"/>	<input type="checkbox"/>

ANNEX 6: PROJECT CONCEPT NOTE (PCN) ASSESSMENT CHECKLIST

GOVERNMENT OF NEPAL OFFICE OF INVESTMENT BOARD NEPAL		
PROJECET IDEA NOTE (PIN) ASSESSMENT CHECKLIST		
Key Content	Yes	NO
Are the projects aligned with IBN's intended development strategies ?		
Have all the required legal and administrative aspects is considered before preparation of PCN?	<input type="checkbox"/>	<input type="checkbox"/>
Is there an institutional capacity to fill in PCN through the IBN PBMIS ?	<input type="checkbox"/>	<input type="checkbox"/>
Are all the concerned stakeholders identified in the project identification process consulted before development of the PCN for the projcet ?	<input type="checkbox"/>	<input type="checkbox"/>
Have the financial viability assessment, market sounding, project readiness/ project preparatory activities, technical viability and environment sustainability aspects considered before the development of the project PCN ?	<input type="checkbox"/>	<input type="checkbox"/>

ANNEX 7: GATE 1: STRATEGIC FIT ASSESSMENT

GATE 1		
A. Prerequisite		
Strategic Fit Assessment (Y/N) Answers should be either Yes/No. For a project to pass this stage and proceed to gate 2, the answer should be “yes” for all the questions.	Yes/No	Explanation
1 Does the project fall under IBN mandate?	<input type="checkbox"/> <input type="checkbox"/>	Meets the threshold criteria of PPPIA 2075 and PPPIR 2076: Financial threshold of NRs. 6 billion and above 200 MW for Energy Projects Project development modality as per Section 17 (2) of PPPIA 2019
2 Does the project align with national plan or other medium/ long term strategic document that establishes the development priorities?	<input type="checkbox"/> <input type="checkbox"/>	Sectors identified in the NPC's periodic plan Projects identified in the fiscal policy (Ministry of Finance) Projects identified/approved by IBN Board. Project listed in the National Project Bank (NPB) Projects identified by provincial governments Project identified in the sectoral plans
3 The investor selection process/ tendering has not been initiated by another line agency?	<input type="checkbox"/> <input type="checkbox"/>	Project has undergone the FS, DPR, etc. by respective sectoral line agencies but has not yet initiated the procurement/ tendering process for the project under public expenditure or PPP modality.
4 The project does not fall in negative list as per FITTA 2019, PPPIA 2019, and Industrial Enterprise Act 2020?	<input type="checkbox"/> <input type="checkbox"/>	Industries/businesses restricted for foreign investment as per the schedule relating to Section 3 (2) of FITTA 2019 Projects as per Section 18 of PPPIA 2019 Industrial Enterprise Act 2020, Section 8, (Annex 1)

Each criterion for Gate 1 is assessed where each question is responded as “yes” or “no”. Projects that qualify in all the criteria of Gate 1 (“yes” in all criteria) proceed to Gate 2.

ANNEX 8: GATE 2: PREFEASIBILITY: SCREENING AND RANKING

Prefeasibility: Screening and ranking criteria (Weighted average scoring. To proceed to Gate 3, the minimum score is 70 %.)	
1	Technical Prefeasibility
i)	Is the project likely to be based on technology that has been proven commercially in similar environments previously?
ii)	Has site suitability assessment been completed for the proposed project site?
iii)	Are any identified potential challenges during construction manageable with the proposed site?
iv)	Are the skills required for the construction, operations, and maintenance of the project available locally or overseas?
2	Environmental Sustainability
i)	Does the preliminary environmental analysis seem reliable?
ii)	Will there be any significant negative impacts on natural resources or protected lands?
iii)	Will there be any significant delays in getting environmental or forests clearances/approvals?
iv)	Does the project design seem to adequately address the impacts of potential natural and human-induced hazards in the region?
v)	Is the project expected to be resilient and adaptive to long-term climatic changes?
vi)	Are climate technologies proposed?
3	Social Sustainability
i)	Has the proposed project site been selected to minimize possible adverse social impacts?
ii)	Has any reliable baseline social analysis study or a scoping social impact assessment been done for the project?
iii)	Will there be any adverse effects related to health or quality of life of users, workers, or the local community?
iv)	Are the social impacts of the project likely to be managed under national safeguard policies?
4	Economic Prefeasibility
i)	Is the economic rate of return (ERR) likely to exceed [9%]?
ii)	Will communities within the area of influence of the project be able to share direct or indirect economic benefits from the project?
5	Financial Prefeasibility
i)	Has a preliminary financial analysis been undertaken of the net present value (NPV) or internal rate of return (IRR) of the project's cash flows?
ii)	Does the user charge assumptions align with similar projects' tariffs?
iii)	Are the demand or volume projections backed by surveys or demand forecasting models that use reliable historical data?
iv)	Are the financing assumptions comparable to similar projects? Such as the debt-to-equity ratio, interest rate, tenure of debt, and cost of equity.
vi)	Is the project's IRR (post-tax) greater than the threshold rate?
vii)	Will the project IRR (post-tax) remain greater than the threshold rate in the stress (or low) case scenario?
viii)	Is the project's minimum DSCR greater than 1.1 for the entire duration of the loan?
ix)	In the low (or stress) case scenario, is the project's average DSCR going to be higher than 1.1 throughout the entire duration of the loan?
6	Legal Prefeasibility
i)	Is private sector participation in the project permitted under sector laws, regulations, or policies?
ii)	Are there any legal/ regulatory barriers to develop/implement the project?
iii)	If applicable, is there a plan to address legal barriers through appropriate executive action or legislative reforms?

Each sub-criterion for Gate 2 is assessed and scored through a set of questions where each question is responded to with a (yes", "no", or "maybe" and is scored accordingly.

ANNEX 9: GATE 3: RISK ASSESSMENT

The minimum scoring is 70% to qualify for RMA with weighted average scoring)	
1	Risk Assessment
i	Risk of delay in land acquisition
	There aren't any cases of substantial involuntary resettlement for land acquisition of the project?
	Has the government prepared or committed to prepare a fully budgeted land acquisition plan?
	There haven't been any expected substantial delays in land acquisition in similar projects in the past?
	The project does not need to acquire forest or productive land (such as cultivable land/farms) or protected lands?
	If the public sector needs to acquire the land, has it identified suitable parcel (s)?
	There aren't any other issues that could delay land acquisition?
	Is there appropriate legal framework for involuntary resettlement to affected people?
ii	Financing Risk
	Have similar PPP projects achieved financial close in the country or region?
	Are there financiers who will express or have expressed interest in the PPP?
iii	Design and Construction Risk
	Is the project likely to be based on technology that has been proven commercially in similar environments previously?
	Is the proposed site accessible and are any potential challenges during construction manageable?
	Will the project be able to source the required skills in relation to the project's construction and operations and maintenance (O&M) (as applicable)?
	Does the project scope allow the private sector to efficiently manage the design, construction, and commissioning risks?
iv	Operation and Maintenance Risk:
	Does the project scope clearly include a well-defined, measurable, and verifiable O&M component?
	Will the project be able to source the required skills locally or from overseas, in relation to the project's construction and O&M (as applicable)?
	Will there be a strong system of safeguards, incentives, and liabilities to manage contractor/sub-contractor/equipment supplier performance during O&M?
v	Market risk and Demand Risk:
	Is there sufficient demand for the services that project will provide?
	Are there enough people who are willing and able to pay the prices that the service will need to charge in order to ensure its financial viability?
	Are there any competing projects in the vicinity (actual or planned) that may impact demand for the project'?
	Will the PPP have a ready baseline of demand or offtake that has been established through historical data, firm off-take commitments, or exclusivity of service area?

Each sub-criterion for Risk Assessment is assessed and scored through a set of questions where each question is responded to with a “yes”, “no” or “maybe” and is scored accordingly. The scores are prioritized as high, medium, or low for risk assessment score criteria.

ANNEX 10: GATE 3: QUALITATIVE VALUE FOR MONEY ANALYSIS

Step 1: Can the project be a good candidate for a PPP?	Explanation
Answers should be either “yes” or “no”. For a project to pass this stage, the answer should be “yes” for <u>all</u> the questions.	Further explanation and context for each question is provided below
1 Does the project include a significant infrastructure investment component?	PPPs make sense for projects that involve substantial capital investment in infrastructure or physical assets, which would then benefit from the effective management of risks associated with construction and delivery. This may be a single major project or a series of replicable smaller projects in a given sector. The question aims to clarify if the project is sufficiently great or worthy (justifiable) of the preparation and operational costs.
2 Does the project address a long-term, predictable public service need?	The project must be within the government's scope or mandate, as well as a public infrastructure and/or service. Operations that are private by nature, such as the industrial manufacturing of commodities, are not to be deemed public services and will not qualify for a PPP. Also, the government's ability to change output parameters over time is limited by the long-term nature of PPP contracts; thus, PPPs should be employed for assets and services where demands are projected to be relatively predictable.
3 Is the sector-level policy, legal, and regulatory environment adequate for this project to be procured as PPP?	Sector policy, legislation, and regulations must at the very least allow for the project to be developed as a PPP. This should either be the case already or be realistically possible by amending current law or regulations.
4 Is there sufficient institutional capacity in the public sector to successfully implement the PPP?	<p>The factors that need to be considered are:</p> <ul style="list-style-type: none"> • Is there a government agency with the authority to carry out this project as a public-private partnership? • Has the government agency successfully procured PPP projects in the past? • Does the government agency have a preliminary understanding of PPP development requirements and is it willing to allocate resources accordingly? • Does the project and PPP implementation have the support of high-level officials, and have supportive decisions been made to support the project's implementation?
5 Could the project generate private sector interest as a PPP?	<p>The level of private sector interest in the project will primarily depend on the PPP structure and should be tested through market sounding during the detailed project preparation process. However, evidence can be gathered to give an initial reading as to whether the PPP might generate private sector interest. The factors that need to be considered are:</p> <ul style="list-style-type: none"> • Has the private sector invested previously in similar projects? • Has the private sector already expressed an interest in the project? • Is this the sort of project that the private sector will have the skills and capacity to do?

Step 2: If delivered as a PPP, does the project have the potential to deliver Value for Money?	Explanation
List of questions based on VFM drivers. Weighted average scoring is done. To proceed to Step 3, the minimum score required is 70%.	Further explanation and context for each question is provided below
1 Can the payments (cash flows) be linked to performance?	PPPs can bring in knowledge and skills that the public sector lacks, as well as increase managerial incentives by tying rewards to performance. PPPs can also reduce rent seeking and cronyism in state owned enterprises. Further, putting private capital at risk offers an incentive to establish an efficient PPP contract by tying performance to capital return.
2 Can project risks reasonably be defined, identified, and measured, such that the right risks can be transferred to the private party?	One of the benefits of PPPs is that certain risks can be transferred to the private sector (e.g., design risk, construction risk, operating risk, and financing risk) because they are better able to manage this risk than the public sector.
3 Can sufficient private capital be involved to ensure the private party faces a strong incentive to perform over the long term?	This should be assessed based on construction costs and the costs associated with managing, operating, and maintaining the project. PPPs bring together the responsibility of up-front design and construction with continuing operations and maintenance into one firm. This creates an incentive for the firm to carry out each function in such a way that the total project cost is minimized over the lifetime of the project.
4 Can performance be specified in terms of output?	In a PPP contract, specifying needed outcomes rather than inputs allows for scope and incentives for innovation. The specification is linked to the payment mechanism under the PPP contract to create a commercial incentive for the private sector to deliver the desired output specification. The output specification frequently includes requirements that assess both the availability as well as the quality of the infrastructure and services.
5 Can sufficient private capital be raised?	Can the PPP be structured in a way that enables the private sector to finance the whole project? In addition to equity from investors, PPPs typically require debt from commercial lenders too. Therefore, it is important that the project is bankable. A good PPP contract can lower public obligations and the fiscal risk involved in delivering the project by requiring the private sector to obtain the funds and carry the major risks for the PPP project.
6 Can revenue risk (demand and payment risk) be transferred to the private sector?	This is a significant risk in a project and, where feasible, this risk should be passed on to the private sector as they are often more effective than the public sector in charging users for services and collecting revenues.

Step 3: Is the project likely to deliver VFM?		Explanation
Weighted average scoring is done. For the project to be selected as a PPP project, a score of 70% or more is required.		Further explanation and context for each question is provided below
1	Does the PPP project change market supply, lead to price reduction and more efficiency?	A private partner must be able to contribute efficiencies in design, construction, operation, maintenance, and/or asset utilization. The efficiency gained by the PPP should result in better quality (than the public sector) and/or lower tariffs at the same quality levels (as the public sector), and overall increased responsiveness to users/customer requirements.
2	Does the PPP project for an infrastructure asset maximize asset value at the lowest construction cost?	A PPP should result in increased potential for revenues, higher potential for cost recovery, better end of life/terminal value of the asset, better potential for operational surplus (revenues-costs) than the public sector.
3	Does total cost go down if more infrastructure assets are built, or services provided?	This should be assessed based on the size of the project and possible diminishing marginal costs. The PPP project should result in an overall reduction of the project life cycle costs. The bundling opportunity should add more scope or scale to the project to see if there are possibilities of economies of scale.
4	Are risks allocated to the party that is better prepared to manage them?	Project risks should be clearly identified and allocated based on international best practice. Value for money can be attained when risks are properly identified and assigned to the party best suited to manage them. For example, the government may be best suited to address land acquisition and resettlement risks, whereas private companies are expected to be better at managing construction, operation, and financing risks.
5	Can investors manage the transferred risks?	Those private investors who have already successfully completed similar projects and have access to finance should be able to manage risks.
6	Is there adequate capacity in both parties involved (Public and Private), which allows them to properly manage the risks assigned to them?	To encourage the private sector to perform well, the government must transfer acceptable risks to it while keeping those that it can best manage itself. While thorough risk allocation will be carried out during the project structure stage, it is useful to understand whether the private sector will be able to take relevant project risks assigned to them, such as project environment, site and design, construction, operation, financing, and macro.
7	Is the private sector capable to deliver the expected results?	If there are companies with the capacity and experience to carry out the same or similar PPP projects, the project will have a much better chance of being procured successfully because capacity will be accessible. It must be considered if no companies have previously attempted such a project. In many segments the domestic private sector may not have the capacity, however, foreign private sectors could potentially be attracted.
8	Is it possible to integrate the design, construction, and operation of this project within the PPP model?	This needs to be checked based on the PPP modality. A BOT model of PPP can typically integrate these components within the PPP model.

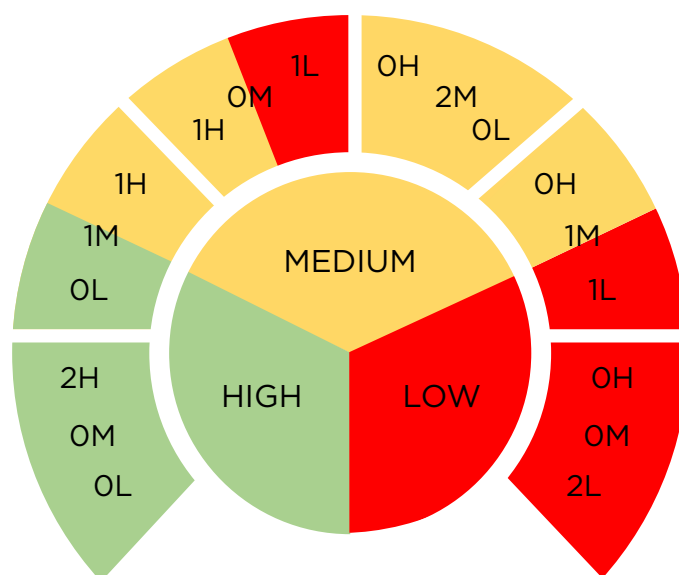
Step 3: Is the project likely to deliver VFM?	Explanation
Weighted average scoring is done. For the project to be selected as a PPP project, a score of 70% or more is required.	Further explanation and context for each question is provided below
<p>9 Will the project be able to attract private sector financing?</p>	<p>It needs to be considered if the IRR of the project is sufficient for Nepali markets and/or if the return is commensurate to the risks. Factors that need to be considered:</p> <ul style="list-style-type: none"> • Are there similar projects in the industry already being funded and operated by the private sector? • In accordance with international risk allocation practices, have local companies successfully delivered similar projects and have access to capital/finance to act as a credible sponsor? • Will the envisaged (standardized) commercial terms and typical project specific risks be acceptable to the private sector? • Are local and international financial institutions willing and able to support the project financially?
<p>10 In terms of the cost only, is this project much more expensive than traditional procurement?</p>	<p>This needs to be based on the likely cost to the private sector of delivering the project. If the likely cost is higher than the estimated cost to the government for procuring the project, it may not make sense to do the project as a PPP unless there are other benefits arising from the PPP.</p>
<p>11 Do local or international capital markets or the banking sector have capacity to lend to this project?</p>	<p>Whether local and international financial institutions are willing and able to support the project financially needs to be considered.</p>
<p>12 Is it possible to measure service standards?</p>	<p>Can key performance indicators be put in place to check the quality of the services and output standards?</p>
<p>13 Is the proposed PPP model relatively easy to implement?</p>	<p>Implementation hurdles should be assessed such as land, and environmental and social issues.</p>
<p>14 Can the project be implemented successfully with a low level of regulation?</p>	<p>The ability to conduct PPP projects in a sector is facilitated when government policy is explicit on the permissible deployment of private expertise and capital in the industry, and where the level of required regulation is low.</p>
<p>15 Is there appetite from potential lenders, bidders, overall private sector for this project?</p>	<p>Factors like market readiness, private sector capacity, acceptable risk allocation, and access to financing need to be considered.</p>
<p>16 Is this a large project with clearly defined (or definable) performance obligations and standards?</p>	<p>Large projects with clearly defined (or definable) performance obligations and standards can lead to better VFM via PPPs</p>
<p>17 Does the government have the technical capacity to manage the contract (internal or outsourced)?</p>	<p>The following factors need to be considered:</p> <ul style="list-style-type: none"> • Does the government agency have the mandate to undertake this project on a PPP basis? • Has the government agency successfully procured similar PPP projects? • Does the government agency have a clear understanding of PPP development requirements and is it willing to allocate resources accordingly? • Does the project and PPP implementation have the support from high level officials and have supportive decisions been taken towards the implementation of the project? • Is there broad public support for the project?

Step 3: Is the project likely to deliver VFM?	Explanation
Weighted average scoring is done. For the project to be selected as a PPP project, a score of 70% or more is required.	Further explanation and context for each question is provided below
<p>18 Are the potential concessionaires capable of undertaking the construction and/or operation of this project? Is there market capacity?</p>	<p>The following factors need to be considered:</p> <ul style="list-style-type: none"> • Has the availability of land and other key resources to build and operate the project been ascertained? Are the land and resources required readily available? • Will project implementation be based on proven technology/technology that is already employed in the country? • Is the likely capital expenditure, operating expenditure and funding costs predictable? • Are construction and operation risks manageable? • Will project performance be dependent on other projects? • Does the project require complex licensing/permitting procedures and will licenses and permits likely to be obtained within a reasonable timeframe? • Will the envisaged level of tariffs/fees foreseen under a PPP delivery model be affordable and within the willingness to pay (considering subsidies if needed?) • Will demand for the project be stable as there are no realistic alternatives with better VFM and/or potentially competing developments will be restricted? • Have funding sources been identified? Has the need for government support (e.g., minimum off-take agreements, guarantees, VGF and output-based subsidies) been identified and assured?
<p>19 Are any government/ political changes anticipated in the near future that will impact the commercial closure of the project?</p>	<p>This needs to be checked considering the political environment (e.g., stability, elections), potential changes in laws and other changes that might affect the project.</p>
<p>20 Is the government the only entity that is responsible for providing these services?</p>	<p>This should be considered whether the project's demand will be stable because there are no realistic supply alternatives with better VFM and/or potentially competing developments.</p>

Each sub-criterion for qualitative VFM is assessed and scored through a set of questions where each question is responded to with a “yes”, “no” or “maybe” and is scored accordingly. The scores are then prioritized as high, medium, or low for the qualitative VFM score criteria.

ANNEX 11: PRIORITIZATION MATRIX FOR GATE 3

Gate 3. Prioritization Matrix with different Criteria's					
	High	Medium	Low		
High/Medium/Low				Criteria	
2H,0M,0L		1H,0M,1L	0H,1M,1L	A) VFM qualitative analysis	
1H,1M,0L		0H,2M,0L	0H,0M,2L	B) Risk Assessment	
Considering all criteria be equal in weight (Total output element is 6)					
With all High	At least one high/one medium	At least one high/one low	At least two medium	At least one medium/one low	Both low
(1 st priority)	(2 nd Priority)	(3 rd Priority)	(4 th Priority)	(5 th Priority)	(6 th Priority)



Total output element is 6
Considering all criteria be equal in weight

ANNEX 12: REGIONAL INCLUSIVENESS (HDI 2020)

Regional inclusiveness scoring criteria

Regional Inclusiveness with respect to Human Development Index (HDI, 2020)	
Please inset the HDI index number of the repective province of the project	
HDI references:	
High (HDI<0.55)	(less than 0.55 (Madesh, Karnali and Sudurpaschim Provinces))
Medium ($0.545 \leq \text{HDI} < 0.6$)	(equal to and greater than 0.55 to less than 0.6 (Province 1 and Lumbini Provinces))
Low (HDI ≥ 0.6)	(equal to and greater than 0.6 (Gandaki and Bagmati Provinces))

ANNEX 13: TEMPLATE FOR FEASIBILITY STUDY

Feasibility Study Report Template

IBN Template
Table of Contents
Acknowledgement
Executive Summary
Acronyms and Abbreviations
List of Tables/ Figures
1. Introduction <ul style="list-style-type: none"> a. Background b. Rationale of Project c. Objective d. Scope of Works e. Study Area/Project Location f. Significance of Project g. Methodology
2. Current Project context <ul style="list-style-type: none"> a. Review of Current Institutional Framework b. Legal Due Diligence c. Socio-Economic Analysis (Including but not limited to Employment, Income and wealth, Affordability, Education, Health, Gender relations, Distributional effects, Ethnic and cultural diversity) d. Summary of Previous (relevant) Studies
3. Project Background <ul style="list-style-type: none"> a. Need Analysis b. Supply Analysis c. SWOT Analysis d. Previous Interventions and Lessons Learned
4. Demand Assessment <ul style="list-style-type: none"> a. Current Demand Assessment <ul style="list-style-type: none"> • Market Assessment Including Discussion with Investor • Willingness to Pay and Ability to pay Assessment b. Examination of Project Alternatives c. Forecast Demand for Design Year
5. Technical Analysis Including Preliminary Design of Project Components (Depends on the type of project)
6. Project Cost <ul style="list-style-type: none"> a. Identify the Various Cost Component of the Project b. Bill of Quantities c. Cost Estimate (Material cost, labor costs, construction cost; operating and maintenance costs)
7. Social and Environmental Assessment
8. Financial Analysis <ul style="list-style-type: none"> a. Analyze the Various Revenue Components of the Project b. Assumption of Financial and c. Calculation of Financial Parameters (IRR, NPV, BCA) d. Sensitivity Analysis e. Sustainability Analysis (Assessment of FCCL)

IBN Template**9. Economic Analysis**

- a. Assumption of Financial and Economic Analysis
- b. Economic Financial Analysis with and without Project
- c. Calculation of Economic Parameters (EIRR, Employment Generation, Contribution to National GDP)

10. Value for Money (VFM) Assessment

- a. Qualitative VFM Assessment
- b. Quantitative VFM Assessment

11. Risk Analysis

- a. Assessment of Technical, Financial, Legal, Regulatory, and Institutional Risk
- b. Assessment of Social and Environmental Risk
- c. Risk Management Matrix

12. Project Implementation Modality

- a. Institutional Framework
- b. Project Implementation Modality with Legal Due Diligence
- c. Assessment of Financial & Economics for Proposed PPP Option
- d. Responsibility of Private Sector
- e. Responsibility of Public Sector
- f. Project implementation Timeline

13. Need for Government Support**14. Conclusions and Recommendation****References****Annexes:**

Performance specifications

Stakeholder and public consultations

Field studies and site investigation data/ reports

Demand surveys

Tariff studies

Site and geotechnical studies (given Nepal's vulnerability to seismic events this is important)

Design and conceptual plans

Economic calculations/ spreadsheets

Financial model / spreadsheets

Legal DD report

E&S surveys/ reports (should include gender and inclusivity aspects, as well as community benefit sharing)

Any others

ANNEX 14: ILLUSTRATING IBNPB GUIDELINE FORMULATION PROCESS



▲ Project Identification Framework Validation Workshop



▲ Project Identification Framework Validation Workshop



▲ Risk Allocation Workshop organized in collaboration with CLDP



▲ Risk Allocation Workshop organized in collaboration with CLDP



▲ Value for Money Workshop organized in collaboration with CLDP



▲ Project Marketing Workshop organized in collaboration with CLDP



▲ Project Marketing Workshop organized with WAPPP Experts



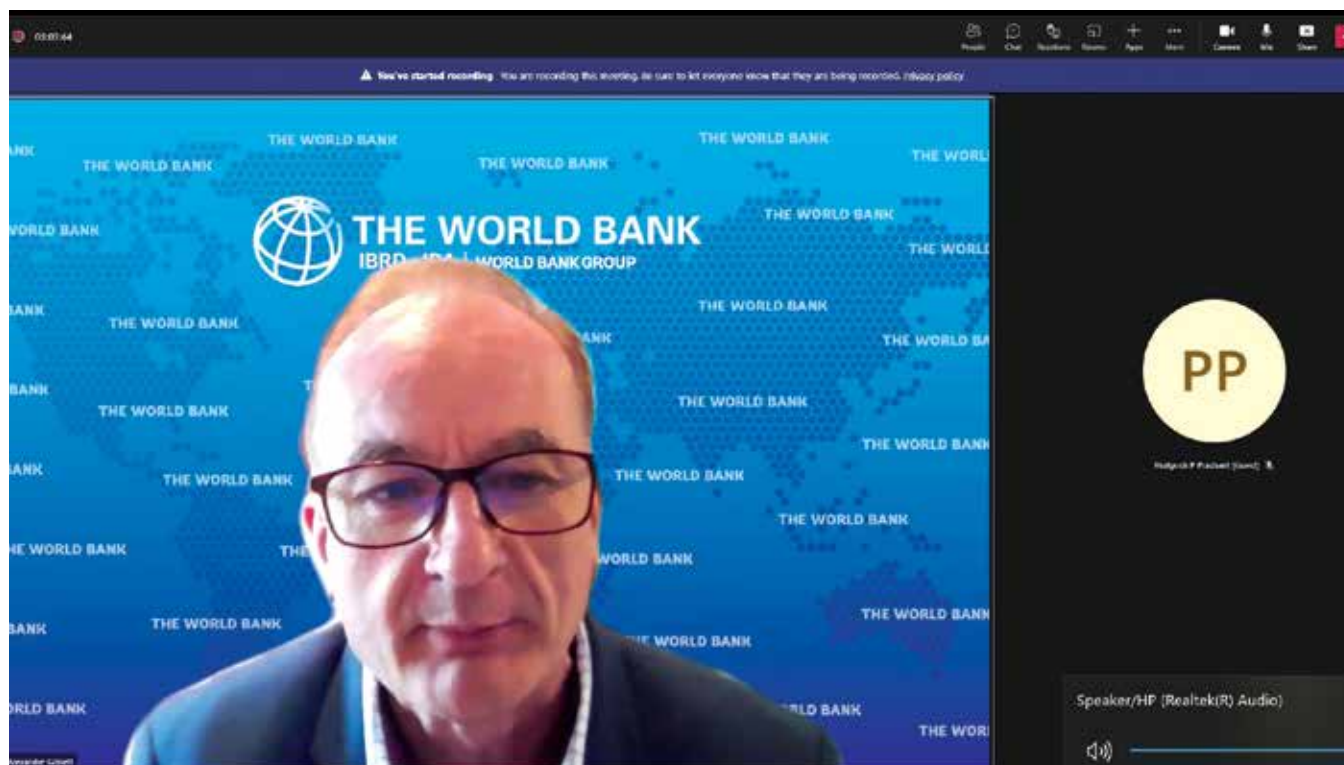
▲ Value for Money Analysis workshop held in collaboration with World Bank Group



▲ IBNPB Guideline validation meeting with World Bank Group



▲ IBNPB Guideline validation meeting with World Bank Group



▲ Meeting with WBG on development of IBNPB Guideline framework



▲ IBN CEO addressing at final validation workshop on IBNPB Guideline



▲ Stakeholder consultation at IBNPB Guideline validation workshop



▲ Stakeholder consultation at IBNPB Guideline validation workshop



▲ IBN Project Bank Guideline validation workshop



▲ IBN Project Bank Guideline validation workshop



▲ IBN Project Bank development team



▲ IBN Project Bank development team



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