Islamabad Policy Research Institute
Research | Innovation | Dialogue | Policy

Policy Brief

Transforming Pakistan's Development Landscape: Integrating Public-Private Partnership (PPPs) and Public Sector Development Projects (PSDP)

Dr Aneel Salman

Sheraz Ahmad Chaudhry

January 2025

Executive Summary

This study examines public-public partnerships (PPPs) and public sector development projects (PSDPs) in Pakistan's development strategy, focusing on their strengths, weaknesses, and synergies. PPPs provide efficiency, innovation, and resource sharing, and they are ideal for infrastructure development, large-scale energy projects, and technology-driven projects that require the expertise of a specialised sector. PSDPs, on the other hand, focus on basic needs by ensuring adequate access to public services, especially in disadvantaged areas. These models provide a comprehensive framework for addressing Pakistan's development challenges. The two frameworks are however inconsistent. Complex regulations and overlapping policies delay project implementation, and private sector participation is hampered by political Instability, inconsistent contract enforcement, and risk-sharing mechanisms. Departmental weaknesses can lead to increased delays and cost overruns, reducing trust among stakeholders. Political interference undermines long-term priorities and reduces the ability of PPPs and PSDPs to promote sustainable and inclusive growth.

To address these challenges, Pakistan needs to adopt a hybrid approach combining both models' benefits. Streamlining legal frameworks and policies is essential for investor confidence. Incentives such as tax breaks and government guarantees will encourage greater private-sector participation. This inclusive strategy can ensure sustainable development for all by filling infrastructure gaps, promoting equity, and fostering social development.

Introduction

Public-Private Partnership is a partnership between the government and private bodies to finance, develop, and deliver projects. Some of the examples of successful PPP projects include toll roads, energy generation facilities, and healthcare institutions, which depict the various ways in which innovation and efficiency can be achieved by public-private partnerships[1]. On the other hand, the PSDP is a government-initiated project where the government funds the public projects using the national budgets. PSDP has, in the past, traditionally focused on basic sectors, such as education, health, and infrastructure, that provide foundational services equitably[2].

Under Pakistan's socio-economic challenges, Public-Private Partnerships and the Public Sector Development Program are both important. Such frameworks are essential in helping infrastructure deficits, upgrading service delivery in underprivileged areas, and enhancing economic growth. PSDP offers equal opportunities for access to basic services, especially among marginalised groups, while PPP utilises the private sector's expertise and resources to expedite progress in complex, high-demand sectors like energy and transportation[3]. This policy brief compares PPP and PSDP in Pakistan, comparing their strengths, weaknesses, and general impact on development. With a focus on financing, efficiency, risk management, accountability, and sustainability, this analysis should guide policymakers in optimising these models to achieve better project outcomes.

Pakistan has enormous investment opportunities in many sectors directly or indirectly linked to the improvement of human development indicators. However, budgetary limitations do not allow that all these demands can be fully satisfied; therefore, emphasis lies upon the effective usage of meager resources. PSDP provision in the budget of fiscal year 2022-23 was kept at Rs 714 billion. On June 2, 2023, the Annual Plan Coordination Committee (APCC)[4] considered a provisional Indicative Budget

---

[1] Asian Development Bank. (2018). Public-Private Partnerships: Lessons from Asia's Success Stories. Asian Development Bank. https://www.adb.org

[2] Government of Pakistan. (2021). Public Sector Development Program 2021-22. Ministry of Planning, Development, and Special Initiatives. http://www.pc.gov.pk

[3] World Bank. (2020). Public-Private Partnerships: A Guide for Developing Countries. World Bank Publications. https://www.worldbank.org

[4] The Annual Plan Coordination Committee (APCC) is a body that finalizes the Public Sector Development Program (PSDP) and other aspects of the annual plan in Pakistan. The APCC is chaired

Ceiling of Rs. 700 billion over a demand to the extent of Rs. 2,600 billion and decided that the National Economic Council (NEC)[5] should upgrade the Indicative Budget Ceiling (IBC)[6] in consideration of critical requirements being addressed in the developmental sector. Considering these requirements, the Finance Division included another fiscal space of Rs. 250 billion. Consequently, the NEC approved the Federal PSDP 2023-24 at Rs. 1,150 billion, including Rs. 200 billion allocated for PPP/BOT projects the highest PSDP allocation in Pakistan's history, reflecting the government commitment to improving living standards. Provinces have placed the Annual Development Plan (ADP) at Rs. 1,559 billion, and the National Development Outlay (NDO)[7] has been pegged at Rs. 2,709 billion for 2023-24, which marks a considerable increase from the revised NDO estimate of Rs. 2,315 billion for 2022-23. Formulation of the Federal PSDP 2023-24 has come in the wake of the 2022 floods, which called for enormous rehabilitation and reconstruction efforts, mainly in Balochistan and Sindh. The 4RF[8] framework was introduced to maximise donor assistance, focusing on flood-resilient projects. Additionally, the government aligned PSDP priorities with the Turnaround Pakistan Conferences 5Es[9] framework exports, equity, empowerment, environment, and energy to drive economic growth.

These coordinated efforts emphasise the need for collective action to meet sectoral targets effectively. Since the implementation of the 18th Amendment, the federal government has remained engaged with the mega projects of great national importance especially in the infrastructure sectors of energy, rail transport, roadways, aviation, and maritime ports. The government is also on an increase in social sector spending that includes higher education, health, governance, and climate-related

---

by the Deputy Chairman of the Planning Commission and includes provincial planning and finance ministers, federal and provincial secretaries, and representatives of development agencies

[5] The NEC is a high-level decision-making body in Pakistan responsible for economic planning and development. It provides guidelines and approves frameworks for the country's development strategies, including budget allocations for sectors.

[6] The IBC refers to the preliminary allocation of budgetary resources to different sectors or projects, providing an initial estimate for planning purposes before final approval by relevant authorities.

[7] The National Development Outlay (NDO) for Pakistan's 2024–2025 fiscal year is Rs 3.792 trillion. This is a significant increase from the Rs 2.393 trillion allocated for the previous fiscal year

[8] Aligned with Pakistan's Resilient Recovery, Rehabilitation, and Reconstruction Framework (4RF), UNDP programme builds on four major pillars designed to restore housing and community infrastructure, livelihoods, and government services, while also building disaster resilience and ensuring environmental protection.

[9] Pakistan's 5Es Framework serves as a strategic roadmap aimed at achieving a $1 trillion economy by 2035. It prioritizes five key areas: Export Growth, Environmental Sustainability, Energy Security, Equity and Empowerment, and E-Pakistan. These pillars are critical drivers for fostering Pakistan's economic growth and ensuring long-term prosperity.

projects. Besides these things, the government has revived the China-Pakistan Economic Corridor to further industrial linkages, trade development, and regional as well as inter-provincial connectivity. Considerable funds have been poured into agricultural programs aimed at securing food and water self-sufficiency. Though the 7th NFC Award allocates funds to be executed by provinces on their regional schemes, the federal government also spends over and above the provincial budget in implementing the SDG plan and various regional development plans of Balochistan, Gilgit-Baltistan, AJ&K, and Newly Merged Districts of Khyber Pakhtunkhwa.

PSDP 2023-24 has special initiatives for the poor districts to achieve the targets of SDGs. New initiatives have been initiated, which include solar tube wells, youth programme for small loans, the Pakistan Fund for Education, IT start-up support, venture capital initiatives, women empowerment programmes, and the Green Revolution 2.0. Other key programs include youth skill development, sports institute establishment, hepatitis-C control, a national diabetes program, multisectoral nutrition initiatives, and the creation of a Governance Innovation Lab.[10].

Background

When looking at the development and changes of the PPP and PSDP of Pakistan, one can certainly conclude that Pakistan is rather determined to solve many of its developmental issues through progressive concepts and programs. PPP was born at the beginning of the year 2000 due to challenges such as resource scarcity and ever-increasing demand efficiencies for delivery of infrastructural projects. This model was expanded and entrenched by the PPP Authority Act 2017, which offered a legal structure designed to bring in private capital for areas such as transport, energy and public services[11]. Some of large-scaled PPP projects are Karachi Yellow Line Bus Rapid Transit (BRT) and Thar Coal Power Project which show the ability of public and private sector partnership to meet the fundamental needs of infrastructure.

PSDP on the other hand has been the mainstay of over the years; Pakistan's public sector investment since independence. With annual resource provision in federal and provincial budgets, PSDP has supported a wide range of projects education health

---

[10] Ministry of Planning Commission. Government of Pakistan, PSDP . available at: https://www.pc.gov.pk/uploads/archives/PSDP_2023-24.pdf
[11] Ministry of Planning, Development & Reform, 2019. Available at: https://www.pc.gov.pk/web/psdp

and national physical infrastructure. Examples like constructing motorway, increasing rural health care, and primary education projects prove the basic importance of PSDP in socio economic lifting[12]. Although PSDP aims to target public good and citizens with objectives of guaranteeing equal access to services, the implementation is compounded with challenges like, lethargy, denial and costs explosions.

Each model greatly impacts on socio-economic development of Pakistan. PPP introduces efficiency, innovation, and value acquisition and distribution opportunities, whereas PSDP aims to achieve equity and accessibility within the officials' population serving the public. Combined with these frameworks, plays a significant role in implementing SDGs in Pakistan and elaborating the inherited long-standing development issues[13].

Comparison of PPP and PSDP

A comparison between PPP and PSDP reveals different feelings of financing, efficiency, risk management, accountability and sustainability. Financing of PPP projects refer to the blending of both government and private funds in order to achieve efficiency in resource using and sharing. Comparatively, PSDP solely depends on government appropriations as this puts a lot of pressure on national budgets but as we have seen it allows for direction of objectives of public welfare. Concerning effectiveness, PPP projects are usually completed quicker because of the private partners' efficiency, however PSDP projects may be extended owing to inefficient procedures.

Another area where relative PPP superiority can be seen is risk amelioration because risks are shared between the public and private domains. PSDP on the other hand exposes the entire government to the face risks associated with financial and operations problems thus potentially leading to setbacks. PPP projects are normally more accountable than PSDP because of performance indicators and activist participation from the private sector while PSDP does not have many monitoring agencies. Last, sustainability is one major area where PPP excels and as described earlier, there have been many PPP practices and many more PPP revenue-sharing

[12] Economic Survey of Pakistan, 2021- 2022. Available at: https://www.finance.gov.pk/survey_2022.html

[13] UNDP, 2021. UNDP Pakistan Annual Report 2021. Available at: https://www.undp.org/pakistan/publications/undp-pakistan-annual-report-2021

models while on the other hand, PSDP's sustainability remains a big issue since it relies with public funds which are limited in nature.

PSDP 2024-25 Summary

Pakistan documents its financial contributions towards infrastructure and development through the PSDP 2024-25 helping the public sector immensely. Being one of the most important countries in Latin America and the Caribbean, its key factors include investing in water resources and highways, energy, railway systems, education, health and climate change programs. Out of the total budget, the Water Resources Division has got the biggest share under federal ministries; the National Highway Authority and Power Division got the largest share under corporations. PSDP also focuses on regional representativeness by the provision of such funds for backward provinces, areas such as Balochistan, Gilgit-Baltistan and Azad Jammu & Kashmir. Nevertheless, differences between the field and the amounts committed and approved indicate the implementational and funds' dysfunctional flows. In sum, the PSDP is a systematic approach to cater the developmental requirements of Pakistan through mobilising domestic and foreign resources for promoting economic growth to enhance living standards. challenges in implementation and fund utilisation.

The PSDP represents a comprehensive effort to address Pakistan's developmental needs, leveraging domestic and foreign funding to foster economic growth and improve living standards. Appendix I shows a complete statistical summary of Ministry / Division-from July - November, 2024-25. Budget breakdown on the Ministry/Division-wise Summary of PSDP (Public Sector Development Program) Allocations of 2024-25 in Pakistan has been described below in detail about the financial resources allocation and expenditures of federal ministries/divisions and corporations. It includes several key components, serial numbers, names of ministry/division PSDP allocations in rupees and foreign loans, total allocations (Rupees + Foreign loans), authorised amount for the period July- November 2024-25 and SAP actual expense. The table is organised into three main sections: Federal Minsters, Departments, Corporations, and Project Risks. The Federal PSDP announced for the fiscal year 2024-25 is Rs. 1,100 billion out of which Rs. 880 billion will be provided in rupee terms and Rs. 220 billion in foreign loans. Among the Federal Ministries, water resources division have been granted highest amount of Rs. 169.6 billion this year which is basically unutilised for infrastructure development. In the Corporations section, most amount has been earmarked for National Highway Authority with Rs. 161.2 billion and Power Division with Rs. 94.6 billion. The releases focus on critical sectors including energies, highways, rails, health, education, climate change, and other sustainable development initiatives. However, significant amount of funds have been authorised for these initiatives, the table show differences between the authorised, allocated and actual funds where it can be due to either the implementation lag or where the funding is done in a phased manner. All in all, the PSDP prompts a broad response for responding to national needs, developing the country, and utilising foreign money as a complementary fund to domestic finance.

Comparison of Global PPP Frameworks

PPPs as a model has gained increasing popularity worldwide to finance and manage infrastructure, provide services and encourage innovation. PPP effectiveness is thus determined by the strength of frames, PPP governance, and PPP responsiveness to contexts. The following table lists a detailed contrast of PPP systems and performance across the globe, regions, and sectors.

Legal and Regulatory Frameworks

The legal and regulatory systems of each country where Public-Private Partnerships (PPPs) are implemented are vast different; however, this tool provides superior results. In the UK the established the Private Finance Initiative (PFI) came up with a framework that supported large projects such as health care facilities, education and even transportation but the sustainability has been an issue ever since in terms of the future costs. The PPP model of India as per the National PPP Policy was effective in project like National Highways Development Project but there are hurdles like bureaucracy time and land acquisition. Singapore’s clear and results-driven model has produced good results that could be seen when the country expanded the Changi Airport. Likewise, South Africa’s PPP Unit within the Treasury supported internationally acclaimed projects regarding sustainability and innovation such as the Renewable Energy Independent Power Producer Procurement Program (REIPPPP).

Risk Allocation

It is also important to establish the fact that they differ across regions. Risk sharing systems are also used and satisfactorily implemented in the United States so that delays such as in the Denver FasTracks are prevented. Partnerships Victoria, Australia's standardised model guaranteed the success of the Sydney Metro project. On the other hand, the regulation of nursing Brazilian private structure reveals flexible but incongruous risk-sharing achievements: capital successes in concessions such as the São Paulo Metro Line 4 and delays in Metro Line 5. The above illustrations show that effective allocation of risks would prevent both delays and cost explosions and accord efficiency.

Financing Mechanisms

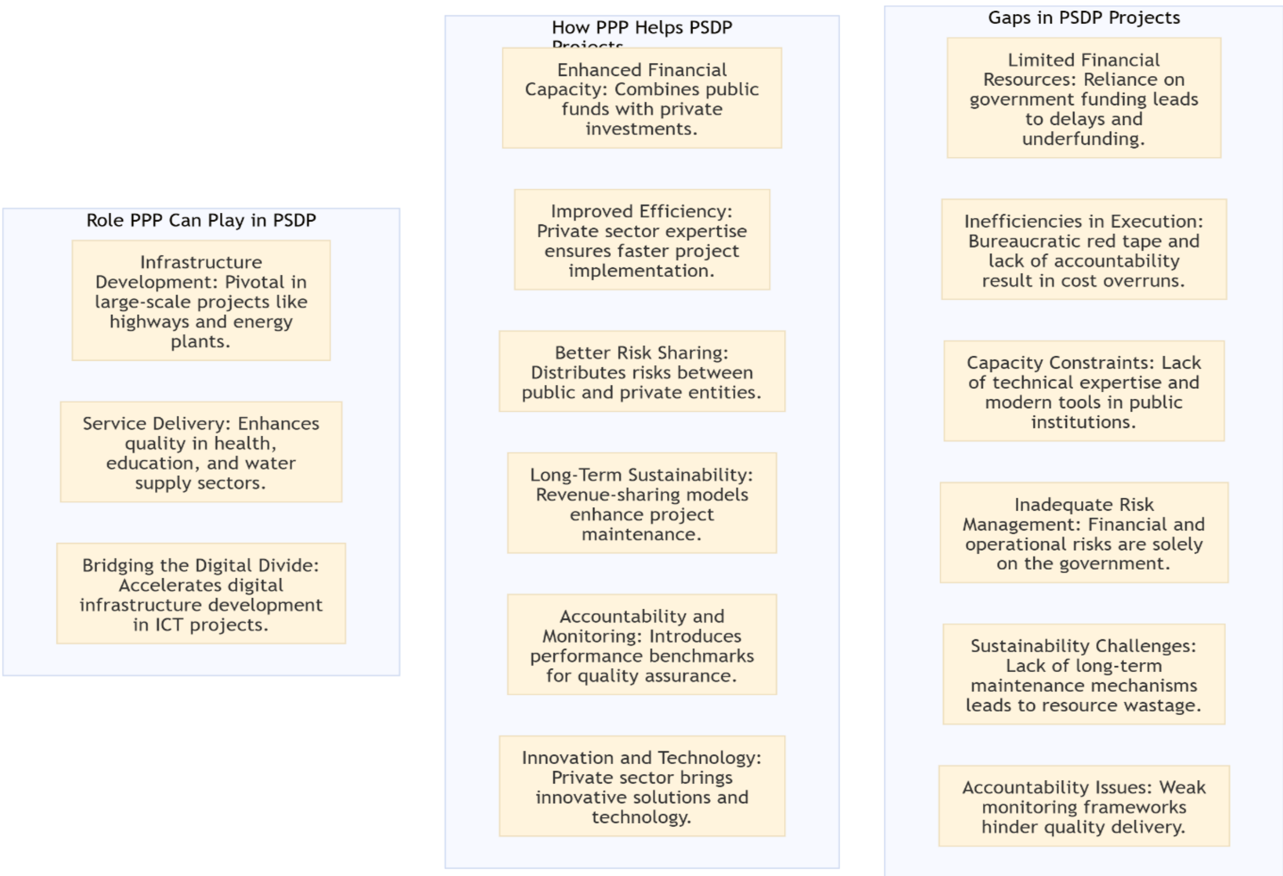
Suitable funding structures are acclaimed to have a significant influence with PPPs. Canada as a centralised nation like Infrastructure Ontario established a chain of command for projects such as the Ottawa Light Rail Transit. A major way Chinese funds such rail projects like Beijing-Shanghai High-Speed Railway are financed through a combination of government appropriation and private capital, however this remains somewhat opaque. Hybrid financing is used by Malaysia with public and private sectors integrated under the Economic Transformation Program that increases infrastructure Malaysia, for instance, facilitated through the development of the Kuala Lumpur International Airport. Such approaches show the kind of financing is able to meet the various requirements depending on the projects that are being financed and the environment of the economy.

Sector-Specific Outcomes

Specific sector results show how PPPs are affecting various sectors in the economy. In transportation, London Underground in UK, although expensive achieved efficiency and India's Golden Quadrilateral Highway network brought connectivity and trade. The South Africa's REIPPPP encouraged the international investment on the integration of renewable while the hydroelectricity projects of Brazil are resisted socially although they are important. While there were success stories in delivering quality infrastructure through PPPs in the health care segment Canada accommodated the Royal Ottawa Hospital, Australia's New Royal Adelaide Hospital provides the right perspective by experiencing time consuming and cost consuming stories due to PPP's if the requirement of strong oversight is not met. Appendix II includes summary of Global PPP framework.

In Pakistan, there are important cases like the Karachi Circular Railway, which faced delays from bureaucracy and problems with funding, the Nandipur Power Project, which had extra costs and was not efficient in operation, and the Quetta Mass Transit Project, which did not have enough feasibility studies or involvement from stakeholders. The UK's Private Finance Initiative is raising concern about long-term financial sustainability and tough conditions for renegotiation in the rest of the world. While significant delays and cost blowouts have plagued Australia's New Royal Adelaide Hospital due to a lack of good project management, Brazil's São Paulo Metro Line 5 suffered public discontent and slow progress despite initial promise. The above examples highlight the success factors: clear regulatory frameworks, efficient risk-management practices, and effective stakeholder participation in models of Singapore's open PPP policies and Australia's Partnerships Victoria. The most common failure factors are political instability, bureaucratic inefficiencies, low institutional capacity, and poor risk allocation. Such case studies will enhance the discussion to show why some frameworks work and others do not. Such discussions will help extract useful lessons in enhancing PPP projects for Pakistan's development.

Role PPP Can Play in PSDP



There are shortcomings in Pakistan's PSDP projects, for example, financial constraints, structure impediments, risk management weaknesses, and sustainability issues in implementing projects can be solved by Public-Private Partnerships (PPPs). Specifically, PPPs can build on other sources of private sector skills, creativity, and funding to support PSDP initiatives, which should lead to more favourable project outcomes. They improve financial capability through risk sharing hence improving timeliness and cost effectiveness in the project, this reduces the fiscal cost of the government. They also bring in measures for ensuring responsibility, the standards of performance, and new technologies, and hence enhances the quality of project works regarding their sustainability. We have seen that in infrastructure, health, education and climate, PPPs can unlock development in areas like Balochistan or Gilgit-Baltistan where infrastructure is poor. Through leveraging of the PSDP resources for bridging the digital divide and creating regional equity, PPPs may enhance the achievement of the socio-economic needs, in a more effective and innovative way. For this venture to work, strong, clear, and coherent regulatory environment and procedures in conjunction with partnership of government and businesses are prerequisites. The problems that Pakistan confronts in PPP within PSDP ventures.

Many PPP and PSDP cases in the development context of Pakistan can shed light on what happened left unfinished or in trouble. Lahore OLMT faced issues of regulatory approval, delay in environment clearance, and controversy regarding encroachment on heritage sites in addition to high cost on account of design. To tackle such problems, the clearance processes are expected to be integrated and interactive public participation to enhance confidence is mandatory, accompanied by conventional project development methodologies to rein in costs. Likewise, the Thar Coal Power Project encountered problems with financing where risk-shared agreements and land acquisition led to difficulties that required clear regulation of risk distribution, community relocation, and approaches on encouraging private investments.

Obstacles in the Gwadar Port Development include federal and provincial conflicting interests and provincial issues that led to delays, local talent shortages in the management and operations of the ports. Things such as lack of coordination between governments and programs that seek to build capacities in the local communities could be countered. Another hydropower project the Neelum-Jhelum Hydropower Project has faced huge cost escalations because of unfavourable geological conditions and delayed global funding Water Resources, favourable geology and favourable relations with overseas financiers for funding plays a crucial role in the timely completion of project.

The Islamabad-Rawalpindi Metro Bus Project and other urban infrastructure projects that have included roads, bridges and flyovers have increased dissatisfaction with high costs of construction, inefficient designs and lack of inter-modal to walking or cycling. These elements involve extensive cost benefit assessments, non-simultaneous transport planning models for a means of attaining greater efficiency and public acceptance. In the Kachhi Canal Project, poor supervision and political intervention hampered the pace of work and disputes over water rights intensity made situation even worse. This called for policies such as enhancing monitoring systems, decentralising political interference and entering into inter-provincial agreements in order to enhance their results.

The Karachi Water Supply Scheme (K-IV Project) faced problems related to initial ground study and lack of synchronisation and realistic approach, improperly coordinated stakeholder management system existed in the project. These concerns might be solved by independent technical consultants and the centralisation of unified project management authorities.

PPP in the context of PSDP is not an easy hurdle to overcome by Pakistan because of many challenges it enters with while adopting it. The following weaknesses stem from these issues of regulation and privatisation, policy inconsistency, private sector scepticism, political intervention, and bureaucracy.

1. **Regulatory Complexity:** Bureaucratic regulations, duplicate and ineffective approval systems counteract the development of PPP contracts. Legal uncertainties are major downside of related laws and frameworks; they cause delays and raise the project costs; most of the times they repel the private investment.
2. **Private Sector Hesitancy:** Pakistan’s private sector has not entered many PPPs because of perceived risks including political instability, variation in policy implementation and lack of clear provision as to how profits would be split between

the contracting parties. This is due to weak institutional framework that has little or no capacity to tackle these issues.

3. **Bureaucratic Inefficiencies:** Most PSDP projects are characterised by inefficiencies both in governance and implementation of the specific projects. Some of such constraints are delays in approvals; lack of accountability; costs implications which may deter organisations from embracing PPP models.
4. **Political Interference:** Political instability and lack of consistent policy as well as developmental objectives pose risks to long term PPP projects. Political interference in projects uptake and execution poses a threat to private partners given that this is outside civil society's organisation.
5. **Capacity Constraints:** Inadequate internal organisational capability and capacity of public organisations in delivering and regulating PPP projects is another major problem. Lack of experience in the organisation of contracts and tracking of processes, as well as the lack of ability to control the compliance with performance indicators, negatively affects the efficiency of projects.

Strategies for Effective Integration of PPPs Within PSDP

1. **Strengthen Regulatory Frameworks**: Policies should be established and followed for all the PPP agreements to make them more uniform. Sanitise the procedures to create conducive environments for private practice and avail legal cover to enhance approval procedures amongst private players.
2. **Enhance Transparency and Accountability**: Establish sound control measures for purposes of managing the progress and costs of projects. This process will help in developing a trust from private formations and the population.
3. **Capacity Building:** Provide resources to upgrade the knowledge of the governmental employees when it comes to PPP project delivery. These are skills in contract drafting and negotiation, financial modelling and management of risks for example.
4. **Promote Public-Private Dialogue**: Develop partnership; engage with private sector stakeholders on a regular basis to discuss issues, expectations and propositions.
5. **Hybrid Models**: Hybridisation integrate concepts of to gain synergy. Namely, rely on PSDP for establishing the basic public services utilising the private capital, while apply PPP to infrastructural and other technological initiatives that can be effective with the help of highly developed private experience and creativity.

6. **Incentivise Private Sector Participation:** Provide inducement of cash subsidies like tax exemptions or direct state guarantees of private investment. Such enticements could help to counter perceived threats and recruit considerable engagement.
7. **Focus on Priority Sectors**: What PPP projects should be linked to national goals where governments and companies can make the most significant positive difference such as infrastructure, energy, and health.

Conclusion

PPP along with PSDP has the scale of bringing a revolutionising change in the developmental dynamics of Pakistan and to explore the hidden economy of the country. PPP provides a strong economic model for engaged private sector knowledge, innovation, and risk sharing, which can greatly improve the effectiveness and viability of projects across energy, transport, and communications facilities. On the other hand, PSDP provides important support to enhancing equity for development since it is aimed at integrating marginalised groups as well as at narrowing the developmental differences between the regions. Altogether these two frameworks are coherent and make up a solid basis of a sound development model.

However, the PPP and PSDP incorporate several important challenges that are worthy of critical discussion for Pakistan to fully explore their potential as a tool. They lead to wastage of time, revenues and even investments from the consumers that in turn wear down stakeholders' confidence. While regulatory ambiguity gives rise to uncertainties that prevent the private sector's involvement, political interference leads to an interruption of developmental work in the long term. However, insufficient specialisation and institutional capacities within the public sectors also aggravate challenges of complex PPP design and implementation. These areas have to be resolved on order to develop the right environment that favours the strengths of both models.

With the PPP policy framework borrowed from successful PPP practices elsewhere in the world for example, risk sharing frameworks in Australia or transparent PPP models such as that of Singapore, Pakistan can strengthen its capacity to deliver significant projects. Enhancing efficiency of approvals, increasing responsibilities, and creating a conducive environment for private enterprises are some of the ways towards this goal. With this, the PPP portfolio be designed to selectively mobilise PPP for infrastructure sectors in high demand and along this, ensure PSDP for core service delivery such as education, health and regional growth to both efficiency and equity in the system. This integration will not only create fast tracking social economic development but will also set a strong framework for development that will also be able to withstand special change and embrace new future opportunities. Through this integrated approach, Pakistan can chart a sustainable path toward economic growth and social well-being.

Public-Private Partnership (PPP) and Public Sector Development Program (PSDP) can be made more effective in Pakistan if the following issues of repetition are resolved and reasonable changes are made. Some of the most pertinent lessons drawn from previous local projects pertain to efficiency in regulation, effective scheduling and coordination among other stakeholders. The Lahore Orange Line Metro Train and the Thar Coal Power Project indicate the need to develop coherent environmental and risk allocation standards; The K-IV Water Supply Scheme, and the Gwadar Port Development raise the need for integrated management and community capacity-building initiatives.

Measures include the hiring of independent technical consultants to address inadequate planning and oversight on implementation for external multi-modal transportation system and inter-provincial contractual dispute resolution. To solve the problem of delays and slowness, it is important to electronic controls the approval, and decrease bureaucratic layers. Also, there are benefits to be gained with the adoption of the support for the respective industries in the private sector through tax reliefs and guarantees, promoting public-private dialogue.

The reform agenda addressed in this paper is equally urgent and feasible, drawing from the best practices of comparable frameworks adopted in other countries while considering the contextual specifics of Pakistan’s development. If Pakistan started taking concrete steps now it can help in inclusive socio-economic growth that can help in narrowing down the infrastructure gaps in the country.

Policy Recommendations

Based on the analysis and findings in the discussion, the following policy recommendations aim to enhance the integration of Public-Private Partnerships (PPP) and Public Sector Development Program (PSDP) frameworks, addressing their challenges and maximising their impact on Pakistan's development goals:

- Develop clear, standardised, and streamlined policies to govern PPP projects within the PSDP framework, reducing ambiguities and expediting approvals.
- Establish a central regulatory authority to oversee PPP projects, ensuring compliance, accountability, and the alignment of objectives with national priorities.
- Offer targeted incentives, such as tax reliefs, guarantees, or subsidies, to encourage private sector engagement in high-priority sectors like energy, infrastructure, and health.
- Establish platforms for public-private dialogue to address concerns, align objectives, and foster collaborative partnerships.
- Utilise PSDP for foundational services, such as education, healthcare, and rural development, ensuring equitable access and regional balance.
- Leverage PPP for infrastructure-heavy, high-demand projects requiring innovation, technology, and private sector efficiency.
- Simplify approval processes and reduce procedural delays through digitisation and automation of administrative workflows.
- Empower decision-makers with authority and accountability to expedite project implementation.
- Align PPP and PSDP projects with national development goals, emphasising energy security, climate resilience, regional connectivity, and digital transformation.
- Prioritise underdeveloped regions, such as Balochistan and Gilgit-Baltistan, to ensure inclusive growth and balanced regional development...

Action Matrix

Action Area	Pathways to Solution	How to Implement Each Solution	Actor Responsible	Implementation Timelines
Strengthen Regulatory Frameworks	Develop standardised and streamlined policies for PPP projects within PSDP.	Create a central regulatory authority to oversee PPPs, ensuring compliance and efficiency.	Ministry of Planning and Development, PPP Authority	Short to Medium Term (6-18 months)
Enhance Institutional Capacity	Provide training programs and establish dedicated PPP units in ministries.	Organise workshops, develop specialised training programs, and set up PPP-specific units.	Ministry of Finance, Line Ministries	Medium Term (1-2 years)
Promote Transparency and Accountability	Introduce monitoring mechanisms, regular audits, and public disclosures.	Use technology for real-time monitoring and mandate audit reports for public access.	Auditor General, Ministry of Finance, PPP Authority	Short Term (6-12 months)
Facilitate Private Sector Participation	Offer financial incentives and establish public-private dialogue platforms.	Provide tax reliefs and guarantees and establish regular consultation forums.	Ministry of Commerce, Board of Investment	Short Term (6-12 months)
Adopt Hybrid Approaches	Leverage PSDP for foundational services and PPP for infrastructure-heavy projects.	Use hybrid funding models combining PSDP grants and private sector investments.	Ministry of Planning and Development, PPP Authority	Medium to Long Term (1-3 years)

Address Bureaucratic Inefficiencies	Simplify approval processes and digitise administrative workflows.	Automate workflows, digitise approvals, and empower decision-makers with authority.	Ministry of Planning, NADRA (for digitisation)	Short Term (6-12 months)
Focus on Priority Sectors	Align projects with national goals and prioritise underdeveloped regions.	Engage stakeholders to align objectives with national priorities and allocate resources to lagging regions.	Ministry of Planning, Provincial Governments	Medium to Long Term (1-3 years)
Encourage Sustainable Development	Integrate environmental sustainability into project planning and execution.	Set sustainability benchmarks, incentivise renewable energy, and adopt green technologies.	Ministry of Climate Change, Ministry of Planning	Medium to Long Term (1-3 years)

About the Authors

Dr Aneel Salman holds the distinguished OGDCL-IPRI Chair-Economic Security at the Islamabad Policy Research Institute (IPRI) in Pakistan. As a leading international economist, Dr Salman specialises in Monetary Resilience, Macroeconomics, Behavioural Economics, Transnational Trade Dynamics, Strategy-driven Policy Formulation, and the multifaceted challenges of Climate Change. His high-impact research has been widely recognised and adopted, influencing strategic planning and policymaking across various sectors and organisations in Pakistan. Beyond his academic prowess, Dr Salman is a Master Trainer, having imparted his expertise to bureaucrats, Law Enforcement Agencies (LEAs), military personnel, diplomats, and other key stakeholders furthering the cause of informed economic decision-making and resilience.

Sheraz Ahmad Choudhary is a Research Associate at IPRI. He is affiliated with the University of Sussex and his areas of expertise are Macroeconomics, Trade Public Finance, and Environmental Economics

Appendix I

Table 1: Ministry / Division-wise Summary (July - November, 2024-25)

Name of Ministry /Division	PSDP Allocation 2024-25			Authorisation	Expenditure (as per SAP)
	Rupees	F.L*	Total		
	3	4	5	6	7
Federal Ministries					
Aviation Division	3.803.00	2,500.00	6,303.00	2.206.05	354.82
Board of Investment	1,158.00	-	1,158.00	405.30	25.94
Cabinet Division	50,773.00	-	50,773.00	17,770.56	3.92
Climate Change Division	5,155.00	101.96	5,256.96	1,839.94	93.31
Commerce Division	2,205.30	-	2,205.30	771.66	-
Communications (other than NHA)	728.00	-	728.00	254.80	-
Defence Division	5,086.00	300.00	5,386.00	1,885.10	346.17
Defence Production Division	3.776.00	-	3,776.00	1,321.60	314.48
Establishment Division	921.00	-	921.00	322.35	18.84
Federal Education &Professional Training	20.328.22	422.78	20,751.00	7.262.85	1,942.43
Finance Division	4.475.49	1,608.51	6,084.00	2,129.40	146.87
Provinces and Special Areas	222,856.10	4,460.00	227,316.10	71,097.54	35,270.98
Higher Education Commission	52.986.79	8,128.21	61,115.00	21,390.25	6,489.82
Housing &Works Division	24,338.00	-	24,338.00	8,518.30	-
Human Rights Division	104.00	-	104.00	36.40	22.56
Industries &Production	4.268.70	-	4,268.70	1,494.05	150.01
Information &Broadcasting	6,300.00	-	6,300.00	2,205.00	314.79
IT &Telecom Division	6.610.35	17,318.65	23,929.00	8,375.15	969.53
Inter-Provincial Coordination	3,450.00	-	3,450.00	1,207.50	57.51

Interior Division	8,720.00	-	8,720.00	3.052.00	186.73
Law &Justice Division	930.00	-	930.00	325.50	178.72
Maritime Affairs Division	2,065.79	534.21	2,600.00	910.00	12.26
Narcotics Control Division	169.51	-	169.51	59.33	-
National Food Security & Research Division	23.228.00	700.00	23,928.00	8,374.80	358.40
National Health Services , Regulations &Coordination	23,865.00	885.00	24,750.00	8,662.50	2,321.15
National Heritage &Culture	1,015.00	-	1,015.00	355.25	3.00
Pakistan Nuclear Regulatory Authority	256.33	-	256.33	89.72	89.72
Petroleum Division	2,475.70	-	2,475.70	866.50	44.65
Planning, Development &Special Initiatives Division	45,198.76	6,207.65	51,406.41	17,992.24	743.87
Railways Division	34,799.00	201.00	35,000.00	12,250.00	12,235.00
Religious Affairs &Inter Faith Harmony Division	500.00	-	500.00	175.00	-
Revenue Division	4,332.17	5,363.83	9,696.00	3,393.60	1,138.71
Science &Technological Research Division	6.649.50	-	6,649.50	2,327.33	421.67
States &Frontier Regions		1,184.06	1,184.06	414.42	15.21
Strategic Plans Division	987.08	-	987.08	345.48	-
Water Resources Division	106.982.00	62,636.00	169,598.00	59,359.30	22,920.48
Total (Federal Ministries):	709,943.80	133,201.85	843,145.65	286,637.88	94,436.12
Corporations					
National Highway Authority	136,044.35	25,220.00	161,264.35	56,442.52	19,027.28
Power Division	33,011.85	61,578.15	94,590.00	33,106.50	1,084.92
Total (Corporations)	169,056.20	06,798.15	255,854.35	89,549.02	20,112.19
Project Liabilities	1,000.00	-	1,000.00	-	-
Total (Federal PSDP)	880,000.00	220,000.00	1,100,000.00	376,186.91	114,548.31
All values are in Millions Rs Foreign Loan*					

Appendix II

Table 2: Global PPP Framework

Category	Country	Framework	Outcomes
Legal and Regulatory Frameworks	United Kingdom	Private Finance Initiative (PFI) with clear legal guidelines	Enabled large-scale projects like hospitals and schools; raised concerns about long-term costs
	India	National PPP Policy and sector-specific guidelines	Efficient highways under NHDP; faced delays due to bureaucratic hurdles
	Singapore	Emphasises transparency, risk-sharing, and performance metrics	Landmark Changi Airport expansion delivered timely, high-quality outcomes
	South Africa	PPP Unit within the Treasury for oversight	REIPPPP globally recognised for sustainability and innovation in energy
Risk Allocation	United States	Tailored to individual projects, balancing risks	Denver FasTracks transit system reduced delays and cost overruns
	Australia	Partnerships Victoria Policy for standardisation	Sydney Metro achieved efficiency through standardised frameworks
	Brazil	Flexible agreements but lacking standardisation	SÃ£o Paulo Metro Line 4 succeeded but delays occurred elsewhere
Financing Mechanisms	Canada	Infrastructure Ontario centralises financing	Streamlined funding enabled Ottawa Light Rail Transit success
	China	Public funding with private capital, incentivised by subsidies	Beijing-Shanghai High-Speed Railway benefited from substantial financing
	Malaysia	Hybrid mechanisms combining public funding and private investment	Kuala Lumpur International Airport significantly boosted infrastructure
Sector-Specific Outcomes (Transportation)	United Kingdom	London Underground PPP improved efficiency but faced high costs	Improved service efficiency but criticised for high costs
	India	Golden Quadrilateral Highway network enhanced connectivity	Enhanced trade and connectivity efficiently through PPPs

Sector-Specific Outcomes (Energy)	South Africa	REIPPPP integrated renewable energy, attracting international investment	Integrated renewable energy, attracting international investment
	Brazil	Hydroelectric projects faced resistance due to displacement issues	Significant hydroelectric impact but faced social resistance
Sector-Specific Outcomes (Healthcare)	Canada	Royal Ottawa Hospital ensured high-quality infrastructure	Timely delivery and high-quality healthcare infrastructure
	Australia	New Royal Adelaide Hospital faced delays and cost overruns	Delays and cost overruns highlighted oversight challenges