

# Asia Regional Workshop on Public-Private Partnerships

« Engaging the Private Sector »

**Session 3: What can the private sector bring to the delivery of infrastructure and public services? – Asia's Experience**

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**at Asian Development Bank Institute, Tokyo, Japan**

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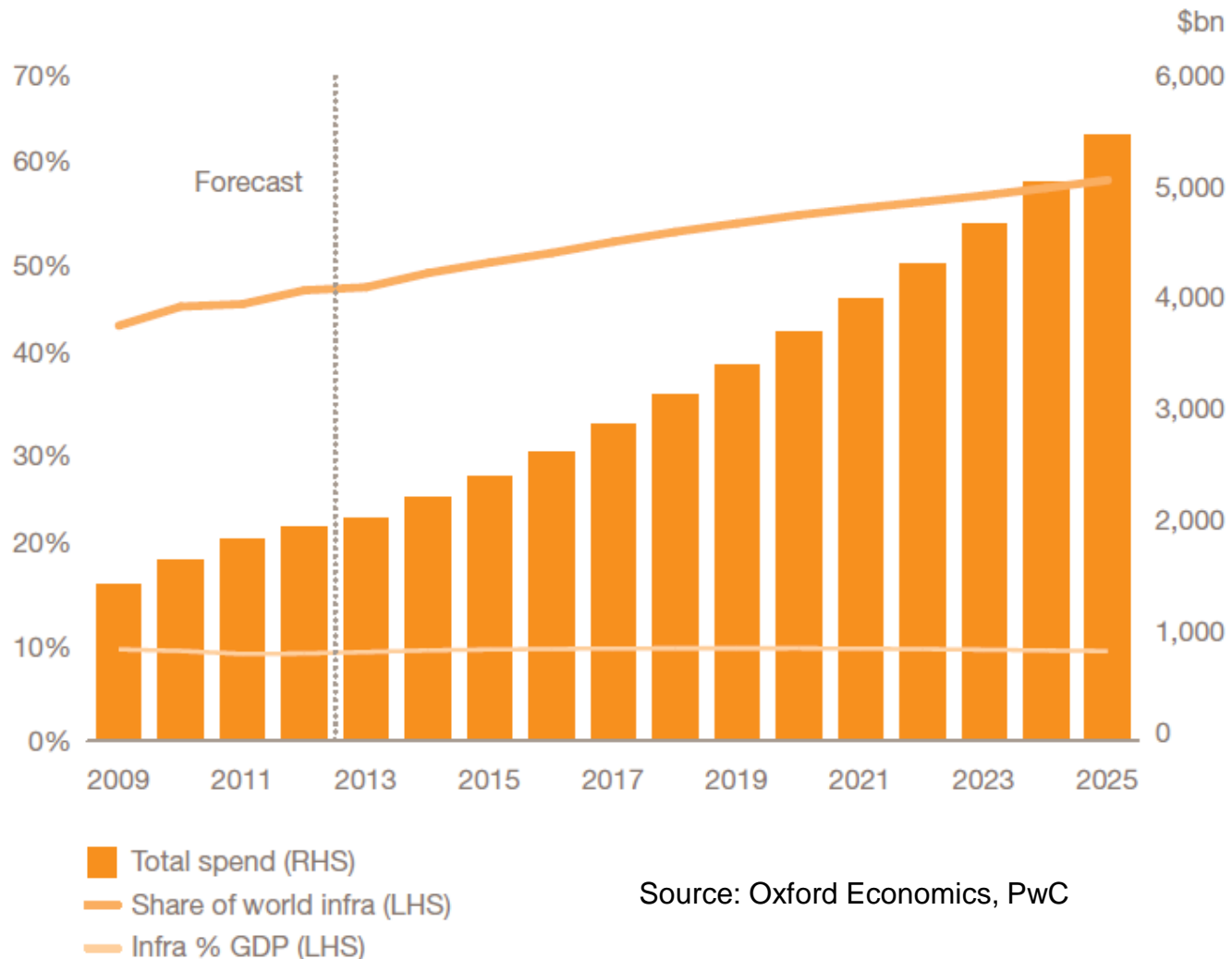
**Office of Public Private Partnership**

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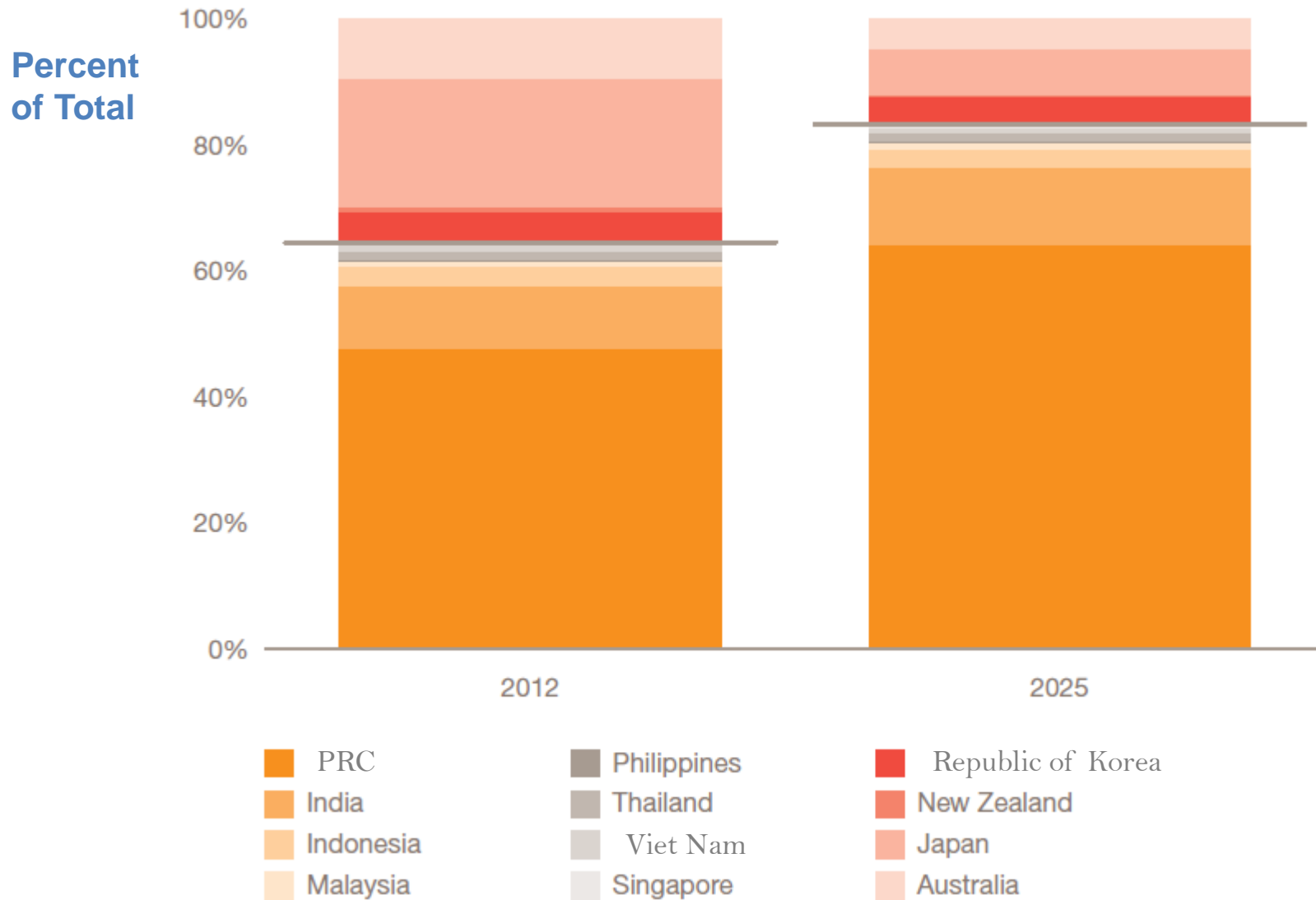


# Huge infrastructure investment needs in Asia

## Forecast of infrastructure spending in Asia-Pacific



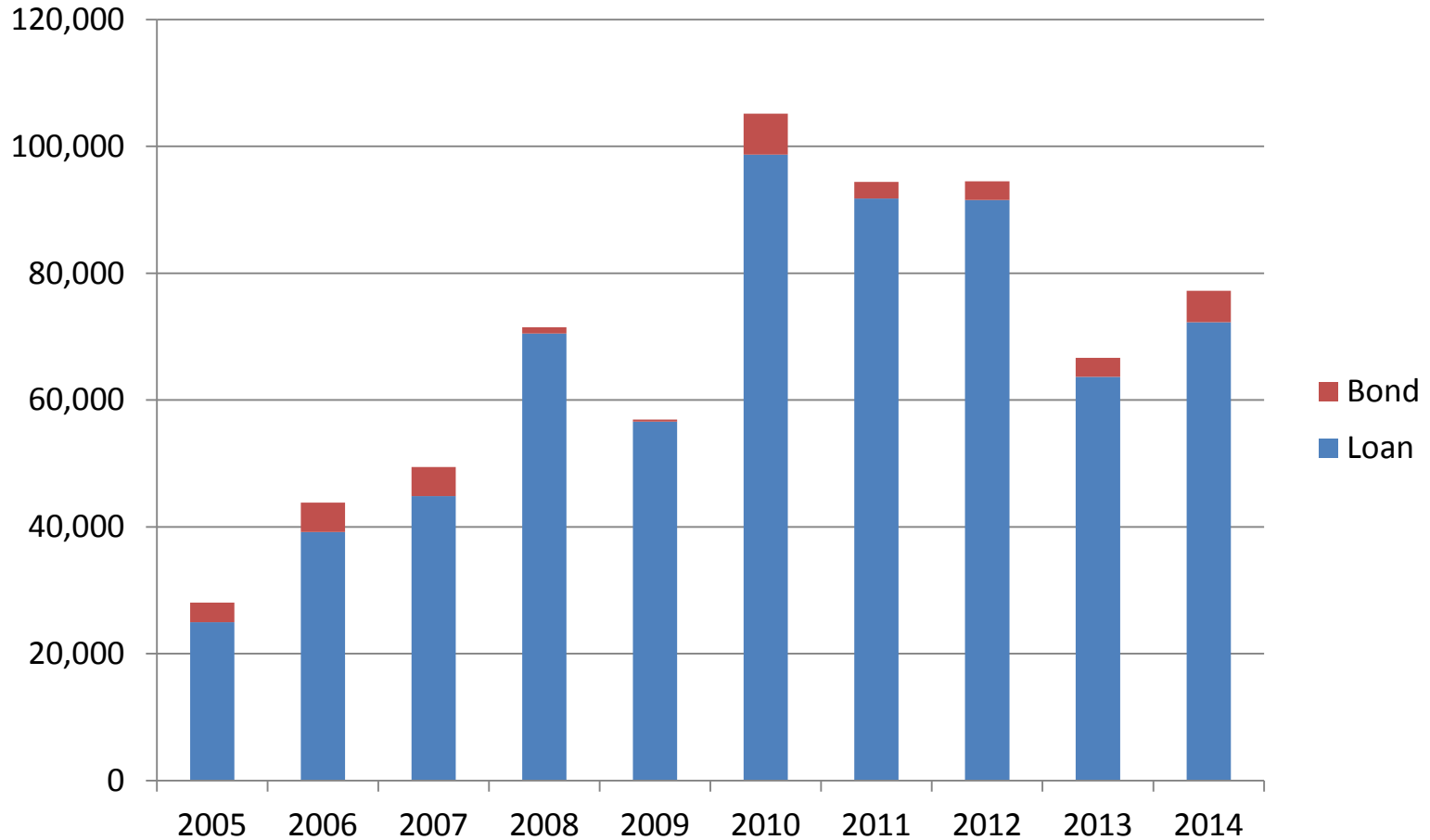
# ...primarily due to spending in emerging economies.



# Asian project finance market

## Project Finance loan and Debt in Asia and Pacific

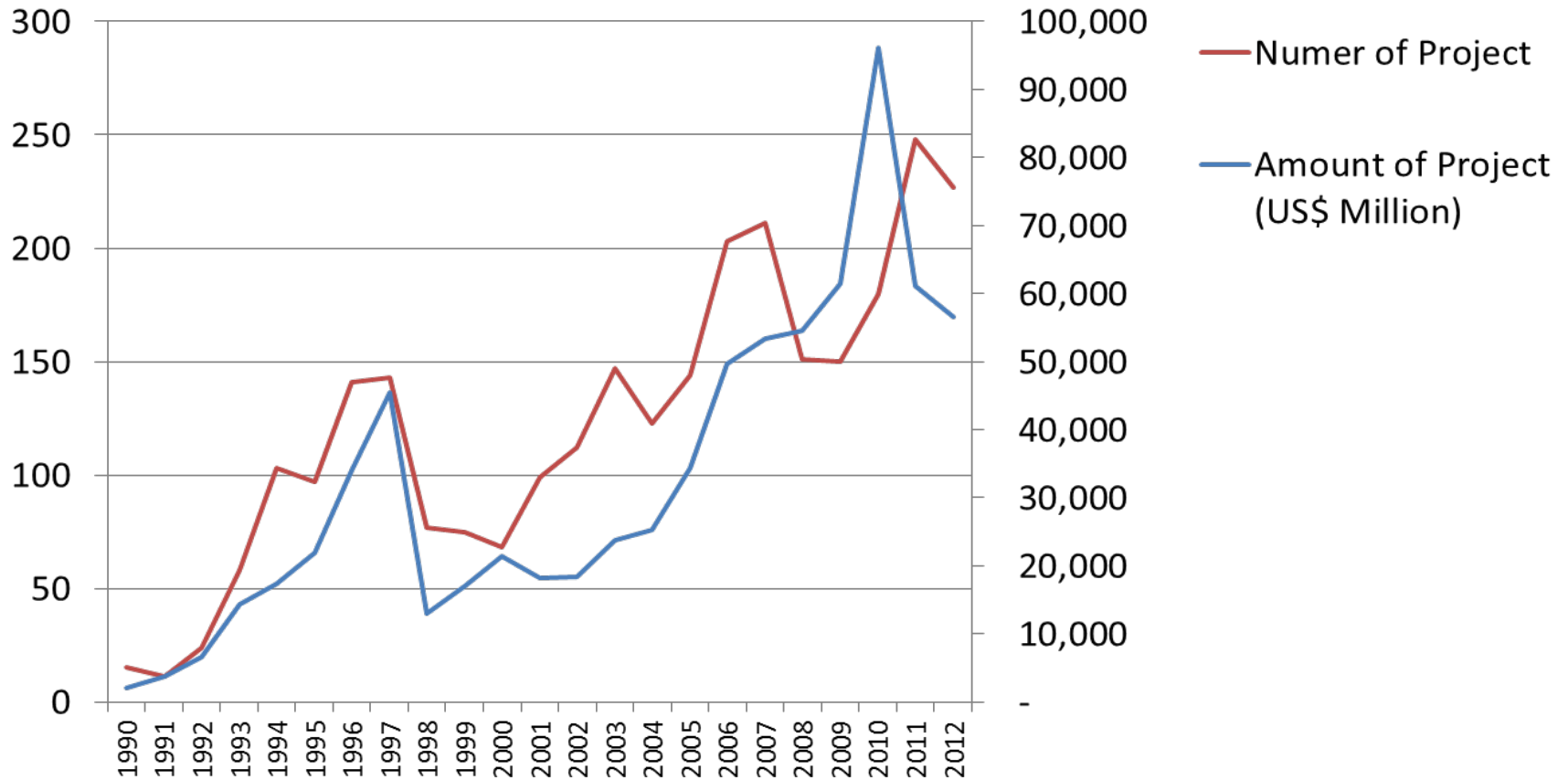
US\$ Million



Source: Project Finance International

# Rise of private participation in infrastructure

## Trend of Private Participation in Infrastructure in Asia (ADB DMCs)



Source: World Bank PPI Database

# Benefits of private sector participation in infrastructure

## Clear allocation of risks and responsibilities

- **Quantity:** Availability of assets and services
- **Quality:** Timely and quality service delivery
- **Price :** Affordability, value for money

	International	Domestic
<b>Sponsor</b>	<ul style="list-style-type: none"><li>• International best practice</li><li>• Advanced technology</li></ul>	<ul style="list-style-type: none"><li>• Local knowledge/network</li><li>• Proven technology</li></ul>
<b>Contractor/Supplier</b>	<ul style="list-style-type: none"><li>• Proven track records</li><li>• Common law contracts</li></ul>	<ul style="list-style-type: none"><li>• Building track records</li><li>• Local law contracts</li></ul>
<b>Operator</b>	<ul style="list-style-type: none"><li>• Political risk sensitivity higher</li></ul>	<ul style="list-style-type: none"><li>• Political risk sensitivity lower</li></ul>
<b>Lender</b>	<ul style="list-style-type: none"><li>• Transactions in hard currencies</li></ul>	<ul style="list-style-type: none"><li>• Transactions in local currency</li></ul>
<b>Consultant</b>	<ul style="list-style-type: none"><li>• Global market impact</li></ul>	<ul style="list-style-type: none"><li>• Local market liquidity</li></ul>

# There has been significant and recent progress in PPP development across Asian DMCs ...

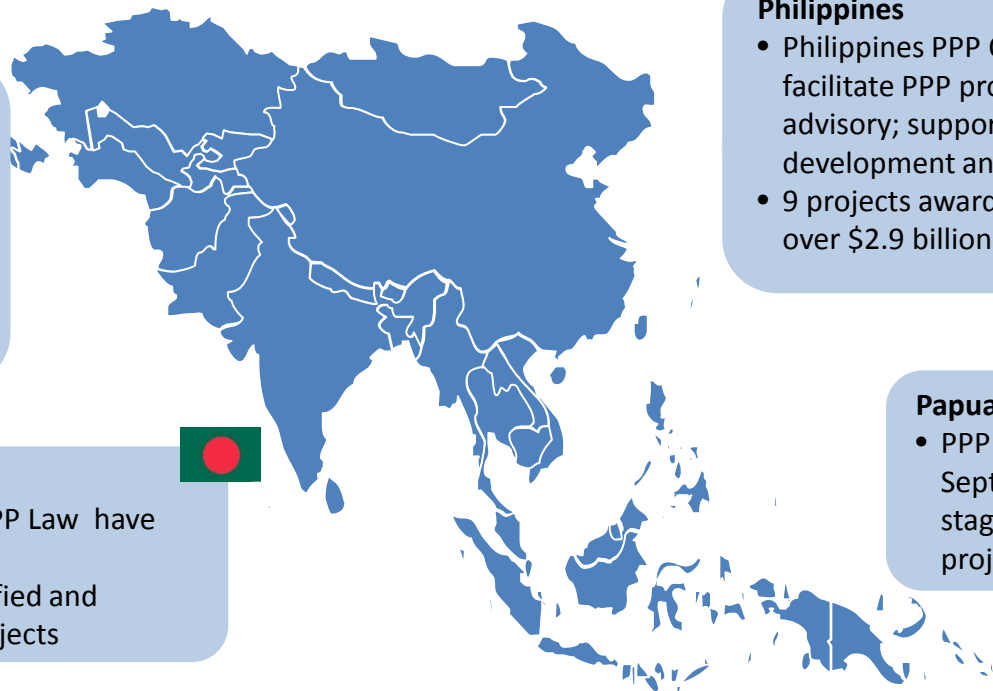
## Mongolia

- \$1.3 billion CHP5 Project reached concession signing in June 2014 – Mongolia's first PPP



## Pakistan

- Active PPP program including PPP task force and infrastructure project dev. facility
- PPP units in Sindh and Punjab provinces



## Philippines

- Philippines PPP Center created in 2010 to facilitate PPP project development and advisory; supported by revolving project development and monitoring facility (PDMF)
- 9 projects awarded as of 4Q 2014 totaling over \$2.9 billion; over 50 projects in pipeline



## Bangladesh

- PPP Guidelines and a draft PPP Law have been prepared (2012 - 2013)
- More than 40 projects identified and approved as PPP pipeline projects



## Papua New Guinea

- PPP Act established in September 2014; sets stage for PPP Center and project pipeline



## India

- India has implemented more than 900 PPP projects with a total amount of US\$ 81,100.5 million.
- 21 PPP cells have been established in DEA, line ministries and states.



## Thailand

- PPP Law enacted in September 2013; new PPP unit under State Enterprise Policy Office is now reviewing potential PPPs from line agencies
- The Cabinet approved PPP Strategic Plan (2015-2019) in May 2015



# ... but several challenges still limit the development of sustainable PPPs programs in Asia

## Policy and Framework

- Underdeveloped regulatory frameworks & unclear implementation
- Limited coordination among central ministries / regional governments
- Limited fund availability for initial deal structuring, pre-feasibility study
- Delay in land acquisition and insufficient compensation / resettlement
- Delay of approval / permit processes (deal specific/symptomatic?)

## Knowledge and Capacity

- Local practice deviating from international best practice
- Limited understanding about PPP contracts
- Limited capacity for project and budget implementation
- Gap between demand forecast vs. actual project viability
- Project selection and prioritization
- Bid management capacity

## Capital Markets

- Lack of deep local (regional) capital markets for infrastructure, eg. project bond market / institutional investor interest in asset class
- Recent financial regulation such as Basel III which restricts the ability of banks to provide long-tenor debt to infrastructure projects

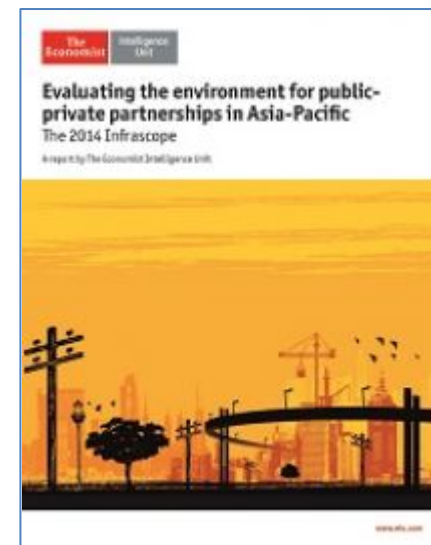
As a result, many countries suffer from a **limited track record for successful PPPs** and this limits further potential



# Appendix: The 2014 Infrascope by EIU

## • PPP Readiness Index

- Designed to provide an independent credible assessment of business environments across countries in the region
- Scores aspects of the legal and regulatory framework and the investment environment for infrastructure projects in each country, and involves in-depth industry analysis, interviews with country and regional field experts and secondary research



## Overall Score

Rating	Countries
Mature	Australia, UK
Developed	Republic of Korea, Japan, India, Philippines
Emerging	PRC, Indonesia, Thailand, Pakistan, Bangladesh, Kazakhstan, Mongolia, Armenia, Papua New Guinea, Viet Nam
Nascent	Kyrgyz, Tajikistan, Georgia

<http://www.adb.org/publications/evaluating-environment-ppp-asia-pacific-2014-infrascope>