

Financing Private Sector Participation in Infrastructure

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ADB

- ADB is owned by 67 member countries including Mongolia.
- ADB is unique in Asia, combining public sector and private sector operations in one organization.
- ADB believes in the power of the private sector - encouraging and facilitating private sector development is an important plank in ADB's development strategy.
- ADB operates its own public-private partnership between the public sector departments and the private sector operations department.

Private Sector Operations Department (PSOD)

- Addresses the lack of access to finance and will support making projects happen with high development and demonstration impacts
- Plays a catalytic role in mobilizing private capital primarily for two sectors (i) infrastructure and (ii) finance and capital markets according with ADB private sector operations policy.
- Provides financing (without the host government's guarantee) to ensure successful launching of private sector projects with high demonstration and development impacts:
 - model projects (“replicable” projects)
 - pioneering projects
 - projects that influence policy from the bottom up

Financing Private Sector Participation in Infrastructure Projects

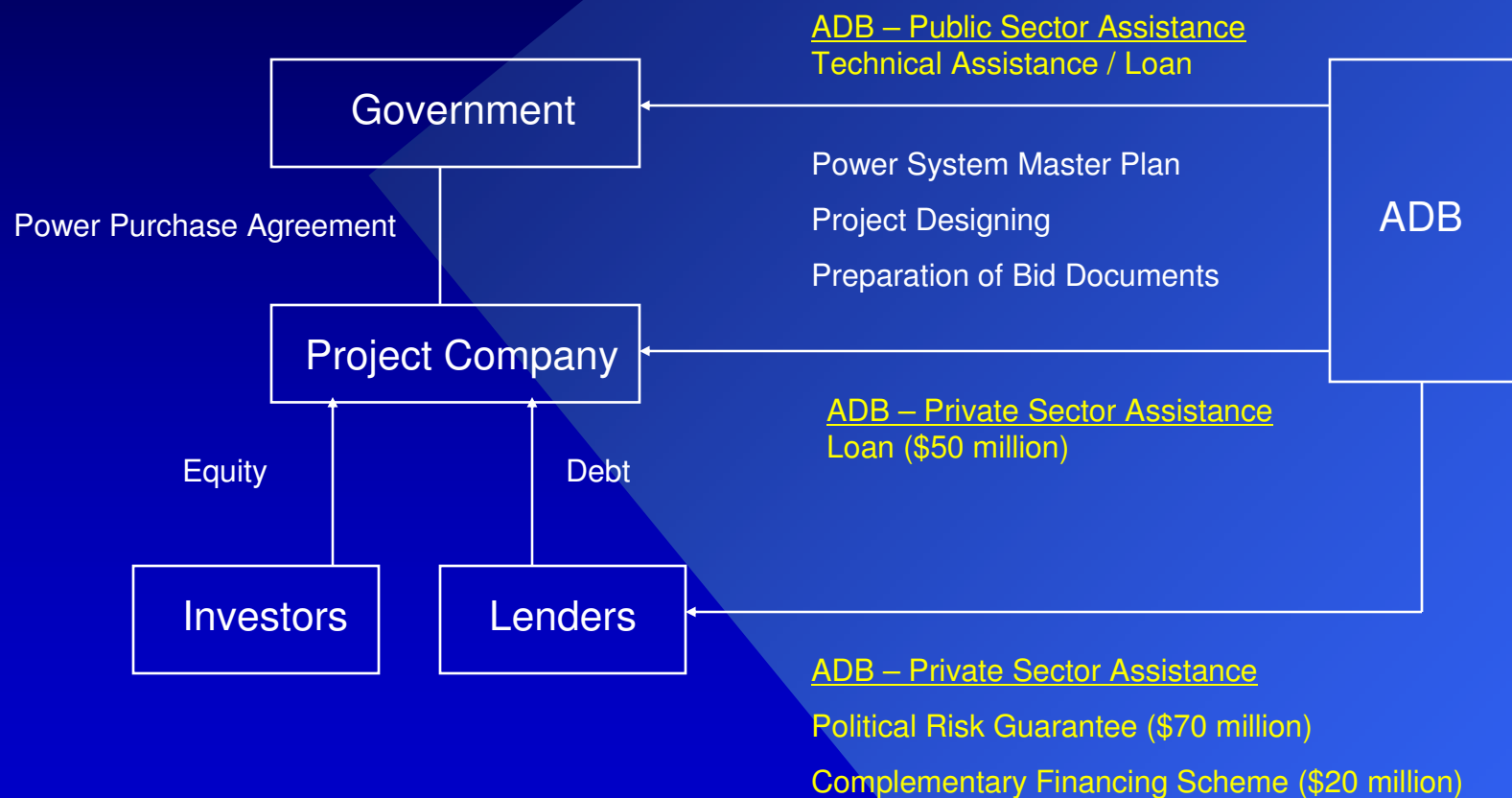
Private Sector Participation

- Private sector participation / PPP is an effective means to address ever-increasing infrastructure needs such as access to basic services.
- Objectives:
 - Attract private funds for investment
 - Increase efficiency
 - Improve management and operation
 - Strengthen accountability
- Value for money should be achieved – reduced whole life cycle cost, a better allocation of risk, a faster implementation, and improved service quality or revenue generation.

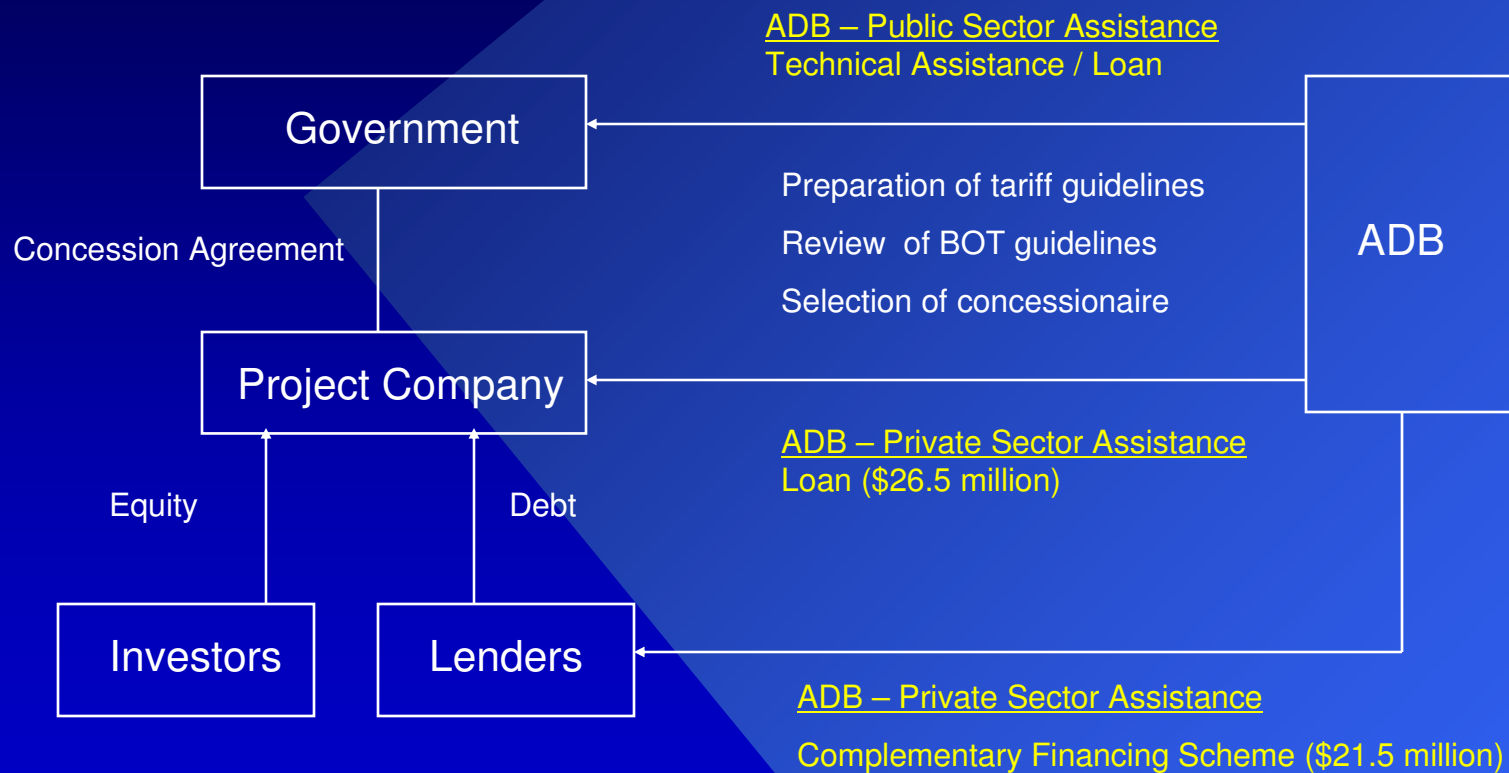
ADB Experience

- Sector: Power, water and waste water treatment, transport, district heating, waste management
- Type: Mainly BOT
- Finance: Equity 20% -30% of project costs
Debt funding remains crucial
 - Project finance (limited recourse)
 - Portfolio finance

First BOT in Bangladesh Meghnaghat Power Project



First BOT in China Chengdu Water Treatment Project



What Investors/Bankers Evaluate

- Government commitment (policy, regulation and legal framework)
- Contract arrangement (concession agreement, off-take agreement, EPC contract, direct agreement)
- Project return (off-take, tariff, defined services area, exclusivity)
- Others (technical, operational, environmental, social, financial risks)



- Private sector participation / PPPs are often seen as a solution to procuring needs public infrastructure in light of public finance constrains. However, strong government support is needed to make projects bankable.

Key Government Support

- Direct agreement (key topic today)
- Legal protection for private sector for contracts that were to be enforced in local legal and regulatory framework
- Continuity in the policy and the commitment of public administration and government counterparts to the PPPs
- Coordination of the interests of the various ministries and governmental bodies concerned in any individual PPP project
- Allocation of adequate government personnel and resources to implementation and monitoring