

ASIAN DEVELOPMENT BANK

FINANCIAL REFORM FOR ECONOMIC DEVELOPMENT IN ASIA—
PUBLIC SECTOR FORUM 2016
DRIVING FUTURE OUTCOMES FROM PAST EXPERIENCE
KUALA LUMPUR, MALAYSIA | MAY 17-18TH 2016



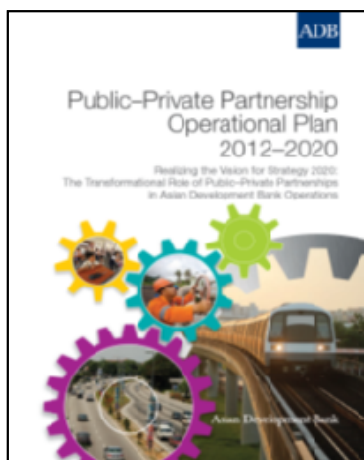
Agenda

- I. ADB's Operational Framework
 - Strategy
 - Comprehensive Support
- II. Regional Department
- III. Office of Public-Private partnerships (OPPP)
- IV. Asia-Pacific Project Preparation Facility
- V. ADB's Engagement
- VI. Additional Resources
- VII. Experience

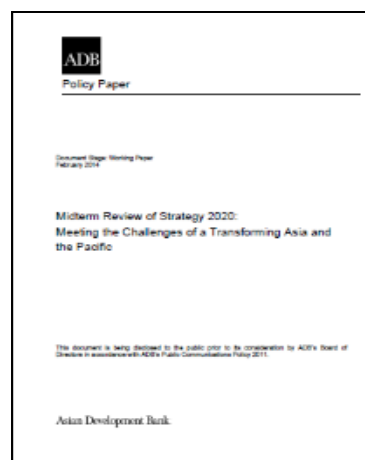
PPP is a focus area for ADB



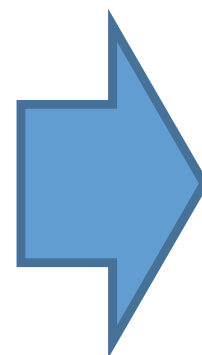
2008



2012



2014



**Establishment of
Office of Public-
Private Partnership
(OPPP)**

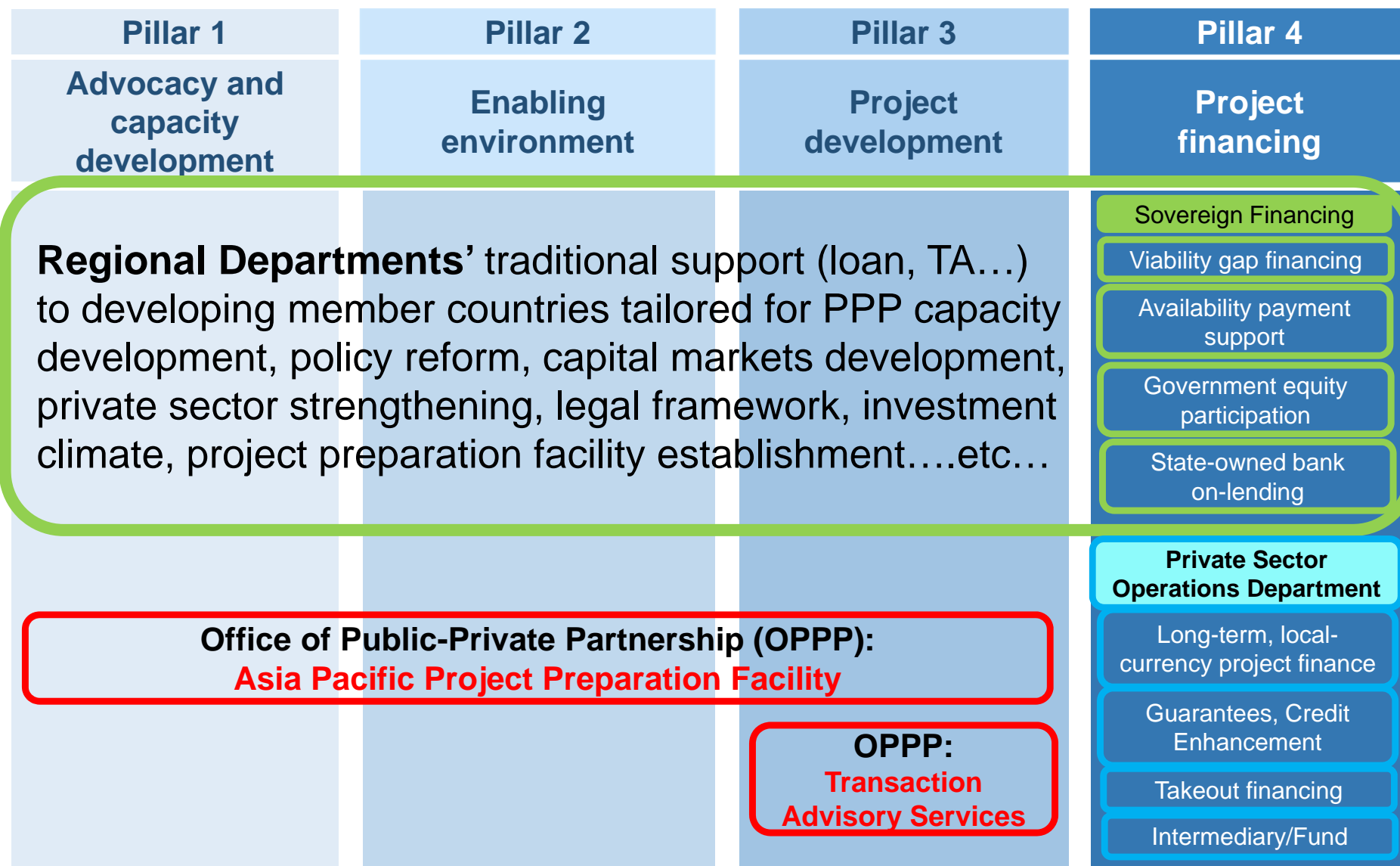
2014

ADB is unique in having a comprehensive and institutional PPP strategy shaping all of its operations

ADB's PPP Operational Framework

Pillar 1	Pillar 2	1. Pillar 3	Pillar 4
Advocacy and capacity development	Enabling environment	Project development	Project financing
<ul style="list-style-type: none"> • Create awareness • Invoke leadership • Identify PPP potential in sector planning and the private sector development agenda • Develop capacity of Government and ADB staff • Enhance external knowledge management links 	<ul style="list-style-type: none"> • Develop policy, legal, regulatory and institutional framework to facilitate, guide and manage the development of PPPs (country and sector specific) 	<ul style="list-style-type: none"> • Align ADB project cycle to the PPP development process • Assist in the development of pathfinder projects • Provide support (including transaction advisory) throughout the process up to contract award/financial close • Expert support, toolkits, funding costs of transaction advisors, procurement support 	<ul style="list-style-type: none"> • Provide credit enhancement products e.g. equity, long term debt, refinancing subordinate debt, cofinancing, guarantees, etc. • Establish credit guarantee facility • Provide public sector financial support through schemes such as viability gap funding, etc.

Comprehensive ADB support



South East Asia Regional Dept – Support to Philippines

ADB-CDTA Strengthening Evaluation and Fiscal Cost Management of PPP's Financed by JFPR (\$2.0 million)

- Strengthen the government's capacity in PPP project appraisal
- Strengthen BTr's contingent liability management capacity
- Strengthen the institutional framework for PPP fiscal cost management

ADB-CDTA Strengthening Public-Private Partnerships (Phase 2) Co-financed by Australia and Canada (\$33 million)

- Strengthen the Capacities of National and Local Government agencies for PPP implementation.
- Enhanced Capacity building of the PPP Center
- Long-term infrastructure financing mechanisms and tools developed
- Infrastructure bond financing.
- Bankable national and local PPP projects developed and implemented (PDMF)

South East Asia Regional Dept – Support to Philippines

ADB Policy-Based Lending

Expanding Private Participation in Infrastructure Program

\$300 million in 2015 and \$300 million 2017 (JICA Co-financed)

- Strengthened government financial support to PPPs.
- Expanded pipeline of PPP projects
- Strengthened Legal and Regulatory Framework

ADB Policy-Based lending

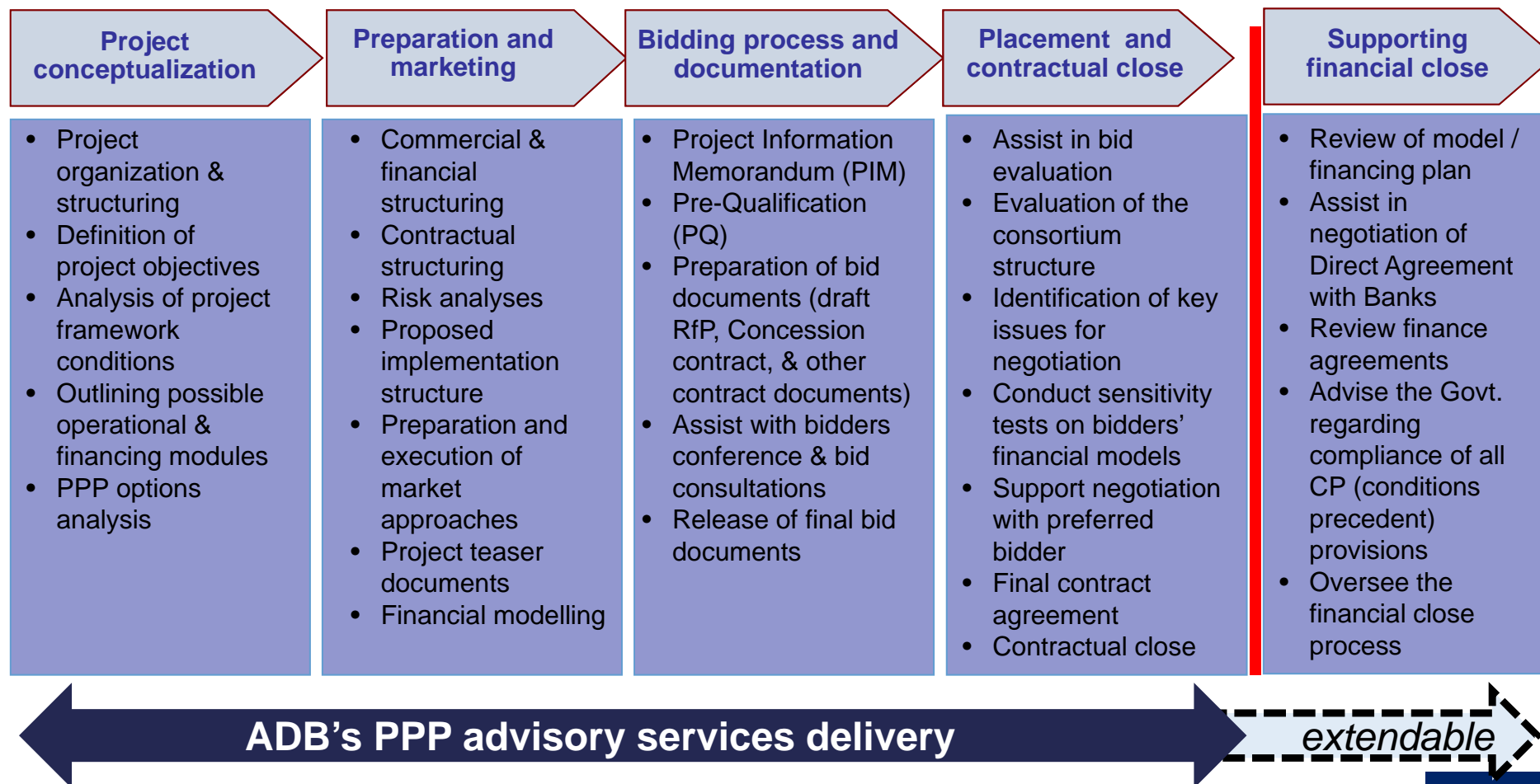
Encouraging Investment through Capital Market Reforms

\$300 million in 2015 and \$300 million in 2017

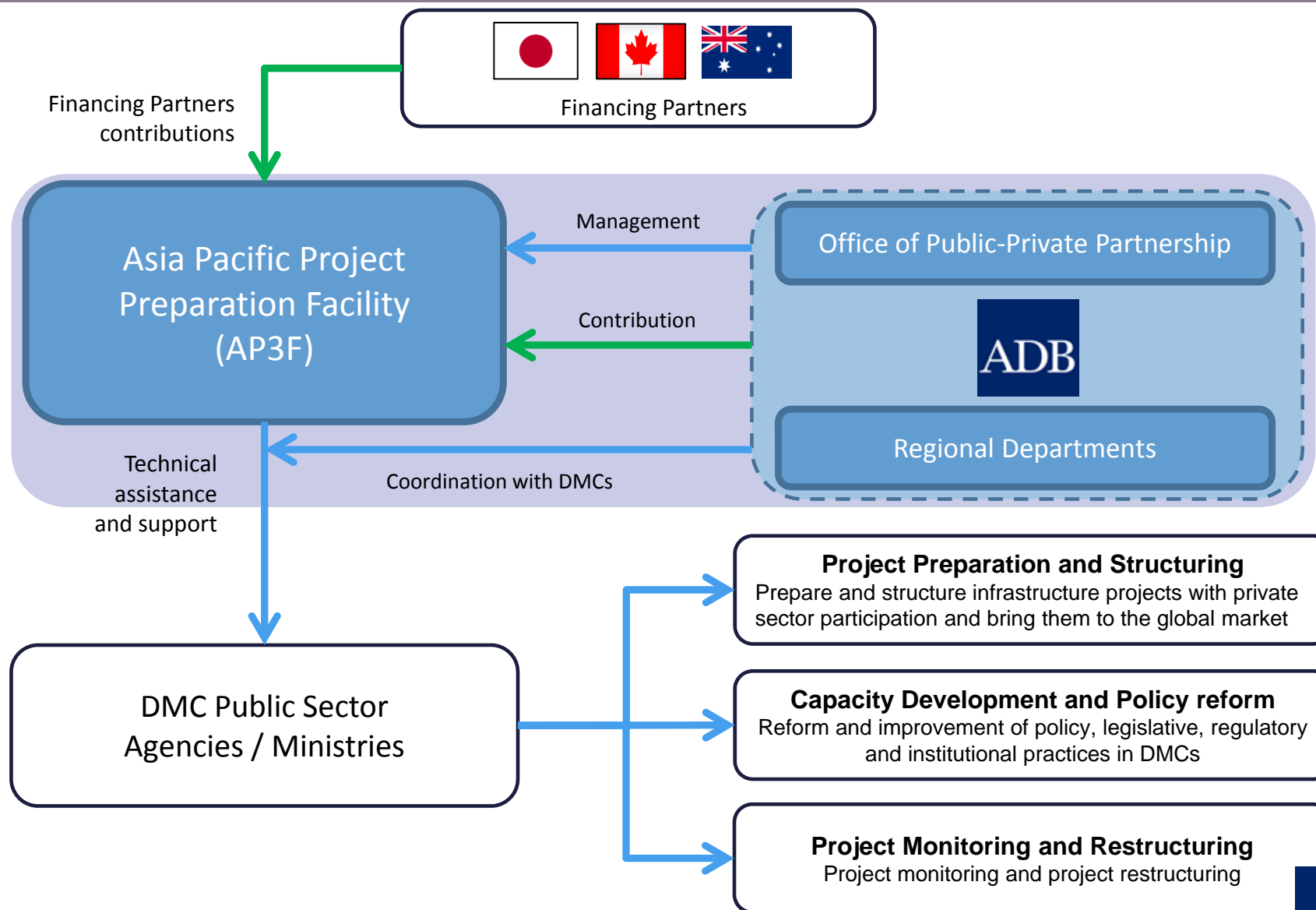
- Liquidity in the Government bond market enhanced
- Long-term savings and investments encouraged.
- Market depth and diversity increased.

ADB's Office of Public-Private Partnership

ADB's transaction advisory service (TAS) is independent advice provided by a specialist to a government agency to ensure delivery of bankable transactions via PPP.



Asia Pacific Project Preparation Facility



Asia Pacific Project Preparation Facility

AP3F can be used by public sector and private sector in their respective roles for infrastructure development

What do they need?

How can AP3F help?

Public Sector

- Meet infrastructure delivery targets
- Templates and model project agreements for key sectors
- Ongoing project performance assistance
- Achieve other development objectives, e.g. climate change, etc.
- Capacity development

Private Sector

- Create more project investment opportunities
- Develop government's capacity as a long-term partner for infrastructure



- ✓ Provide funds to accelerate project preparation and development
- ✓ Retain world class advisors to tender projects and achieve concession award and financial close
- ✓ Support government agency in monitoring project contracts and KPIs post implementation
- ✓ Support development of project proposals and feasibility studies
- ✓ Develop government's capacity for PPP

ADB supports developing member countries: upstream PPP program development/support, project financing, transaction advisory ...



Turkmenistan, Afghanistan, Pakistan, India

- ADB mandated as **transaction advisor for \$8 billion "TAPI" pipeline project that spans 4 countries**

Mongolia



- ADB mandated as **transaction advisor to government for \$1.3 billion CHP5 project** – Mongolia's first PPP
- Project reached concession signing in June 2014



Philippines

- ADB mandated as **transaction advisor for \$3.8 billion North South Railway Project**
- ADB's Project Development and Monitoring Facility allows PPP Center to pay for feasibility studies and transaction support



Viet Nam

- ADB assisted MPI on PPP Decree, which was approved in March 2015
- ADB supported Ministry of Transport on prioritization of road projects via PPP



India

- 21 PPP cells established across the country; over \$81 billion of projects implemented via PPP
- Long history of ADB support through TA, loans, and credit enhancements



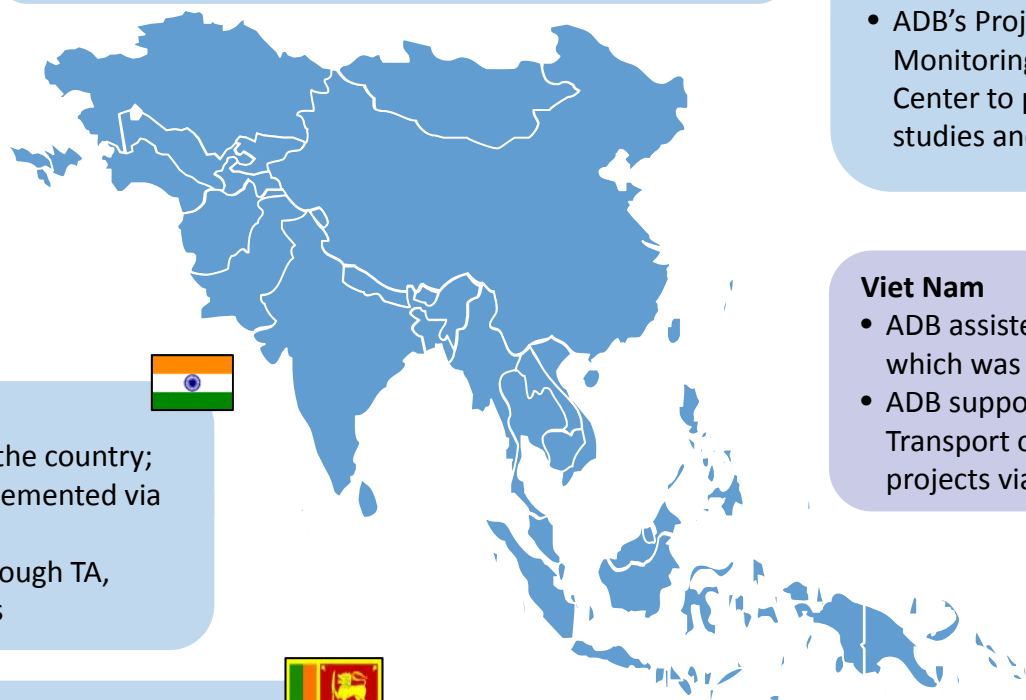
Sri Lanka

- ADB acted as lender and equity investor for Queen Elizabeth Quay in Colombo, Sri Lanka's first PPP
- ADB is mandated **transaction advisor to Sri Lanka Ports Authority for development of the Colombo East Container Terminal via PPP**



Bangladesh

- ADB helped PPP office prepare PPP Guidelines; now approved in 2015
- More than 40 projects identified and approved as PPP pipeline projects



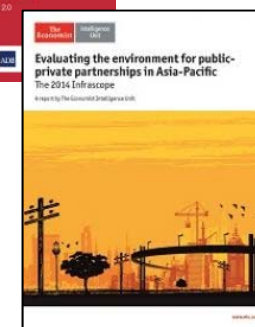
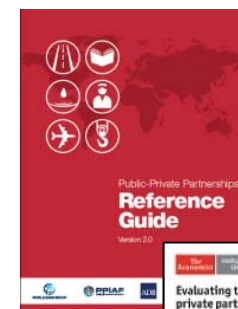
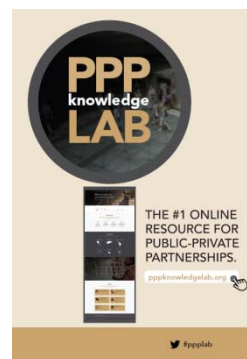
Additional resources which ADB is involved with

- **PPP Knowledge Lab**
www.pppknowledgelab.org/

- **PPP Reference Guide**

- **Infrascope**

<http://www.adb.org/sites/default/files/publication/158409/2014-infrascope.pdf>



- **OECD Network of Senior PPP Officials**
(<http://www.oecd.org/gov/budgeting/ppp.htm>)
- **PPP Infrastructure Resource Center (legal templates)**
(<http://ppp.worldbank.org>)
- **International Infrastructure Support System – project preparation templates**
(public.sif-iiss.org)

Key Success Factors in PPP Programs

The 4 “C” s	
Commitment	<p>The private sector wants to see that government is serious about PPPs – on a long-term basis.</p> <p>Is there a political champion?</p>
Consistency / Certainty	<p>Say what you are going to do... and do it ...and stick to it</p>
Commercial Viability	<p>A PPP has to make sense for government... ...and also for the private sector.</p>
Continuous Improvement	<p>Even in mature PPP markets, governments need to continually build on lessons from projects and respond to changes in the PPP environment</p>

Public Financial Management - Budget

Budget Requirement	Application to PPPs
The budget should be specified	<p>This is difficult because many governments budget year by year, with perhaps with a few years of forward estimates, whereas PPPs commit expenditure for the long term.</p> <p>PPP payments are performance based, but the contractual performance regime is usually managed outside the budget process.</p>
The budget should be comprehensive	<p>Budgets often do not comprehensively reflect PPPs because standard budgeting and accounting frameworks do not adequately reflect the balance sheet impacts or term of PPPs</p>
The budget should be transparent	<p>PPPs are not always transparently reflected as contingent liabilities, and balance sheet impacts may not be clear. Complex PPP arrangements are not always well explained.</p>

ADB Experience - Philippines

Budget Requirement	Application to PPPs
Enabling Environment	Parallel implementation of institutional development measures (PPPC) and regulatory reforms, coupled with emphasis on project pipeline development.
Political Champion	PPPC reports to the Minister of Finance High skills base and professionalism of the PPPC is a driver of success.
Stakeholder Coordination	Developing capacities of other implementing agencies (Trade, Public Works, Transportation etc.) should be given a high priority.
Finance Sector	A healthy project pipeline underlined the need to develop additional project financing options for PPP projects.