

Session 6: Public-Private Partnership in ADB

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30 April 2014

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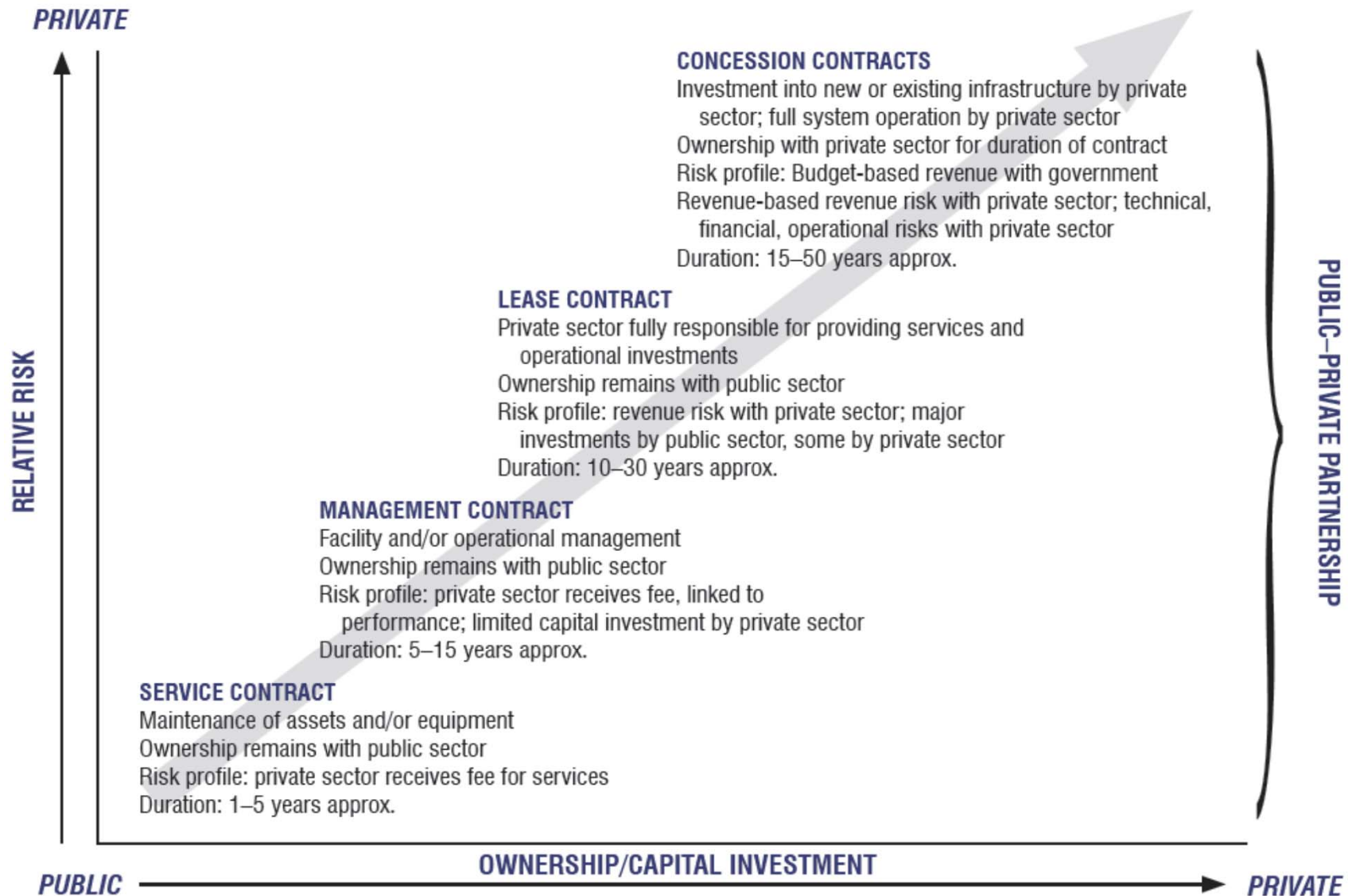
Changed emphasis in ADB process

- **PPP Operational Plan – approved in April 2012**
 - Defines clearly PPPs in the context of ADB operations
 - Prioritizes projects that can or should be done in the private sector
 - Prioritizes ADB sovereign supports to projects that have the potential to attract private sector investment and lending
 - Pure public sector projects only in those areas where private sector cannot go and/or have a strong poverty alleviation focus
- **ADB needs to leverage its budget**
 - Budget is to remain flat for the foreseeable future
 - DMC government needs are increasing & costs of each project are increasing
- **BUT...ADB public sector support remains critical**
 - Sector-based reforms are still greatly needed and fully complement PPP
 - Cross-cutting government wide themes in governance and public financial management also continue to be needed

PPP Operational Plan

- The Plan aims to provide a consistent analytical and operational framework for PPP assistance in support of Strategy 2020.
- **PPP Definition:** *A PPP refers to a contractual arrangement between, public (national, state/provincial or local) and private entities through which the skills, assets and/or financial resources of each of the public and private sector are allocated in a complementary manner, thereby sharing the risks and rewards, to seek to provide optimal service delivery and good value to citizens.*

Range of PPPs



Integrating PPP into strategy/business plan

- **PPP initiatives**
 - National and sector frameworks
 - Project-based intervention, carve-out from a sovereign project
- **Complementary Interventions – setting the stage: PPP-friendly**
 - Tightening terms of sovereign lending
 - With reform agenda in mind: accountability, performance, sustainability
 - Sector reform programs
 - Tariff rationalization, corporatization of state entities; Performance-based contracting, measurement
 - Public financial management
 - Governance, Companies Law, Investment Policy, Budget sustainability and accountability
 - Capital markets
 - Debt market reform, debt and guarantee instruments

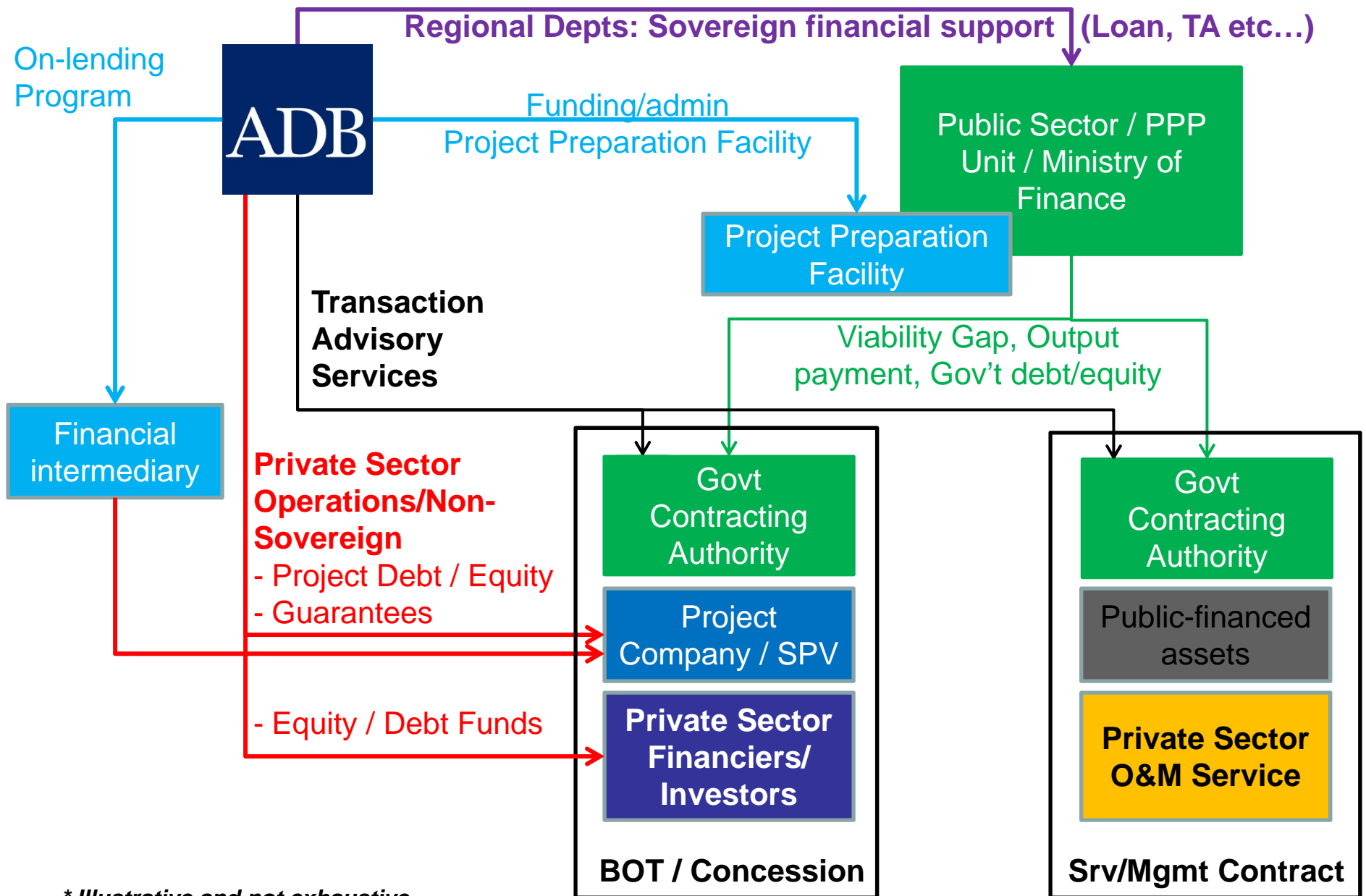
Operational Framework

Pillar 1	Pillar 2	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 • Development 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- or 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 advisory support) throughout the process up to contract award and/or financial close that can come as expert support, tool kits, funding costs of transaction advisors, or procurement support 	<ul style="list-style-type: none"> • Provide credit enhancement products, e.g., equity, long-term debt, refinancing subordinate debt, cofinancing, and guarantees • Establish credit guarantee facility • Provide public sector financial support through schemes such as viability gap funding
Regional Department Responsibility			Private Sector Operations Department and Regional Department

ADB Initiatives Across the Four Pillars of the PPP OP

Pillar 1	Pillar 2	Pillar 3	Pillar 4
Advocacy and Capacity Development	Enabling environment	Project Development	Project Financing
<p>ADB PPP Initiative in India</p> <ul style="list-style-type: none"> ▪ PPP Cells set up in 23 States and 7 Ministries over 5 years with \$15.3 million technical assistance. ▪ Focused in addressing the constraints and challenges to PPP development through the provision of capacity development and support to strengthening the policy and institutional framework. ▪ Pipeline development and support for pilot projects was also provided under the initiative. 	<p>PPP Program Operationalization in Bangladesh</p> <ul style="list-style-type: none"> ▪ The impact of the TA will be improved ability within the government to identify, structure, tender, and close on privately invested and/or owned and operated infrastructure and infrastructure services. ▪ The outcome of the TA will be the delivery of an operating PPPO and MOF PPP unit within government, with the staff, policies, and operating procedures to identify, structure, bid out, and implement PPP infrastructure 	<p>Project Preparation Facilities & Provision of Transaction Advisory</p> <ul style="list-style-type: none"> ▪ Preferred bidder announced for the CHP5 PPP Project in Mongolia where ADB is acting as the transaction advisor ▪ ADB mandated as transaction advisor for the Turkmenistan-Afghanistan-Pakistan-India energy project ▪ ADB supported Project Development and Monitoring Fund of the Philippines is funding the project development of PPP projects in the pipeline ▪ Establishment of PDFs in INO and VIE (planned) 	<p>Mainly PSOD project finance with some RD-led initiatives</p> <ul style="list-style-type: none"> ▪ In 2013, PSOD financed 6 PPP projects using \$697m in loans, \$120m in B loans, \$100m co-financing (Clean Tech Fund & Climate Change Fund) and \$35m in a local currency loan. The total project cost that PSOD's PPP activities helped deliver was \$3.035bn ▪ \$128 million partial credit guarantee facility set up by India Infrastructure Finance Company with ADB's support

Examples of how ADB can support* PPPs



* Illustrative and not exhaustive

Mid-Term Review of ADB Strategy 2020: ADB as Project Enabler, Developer, Facilitator

“..ADB will strengthen its project development role and improve leveraging of its resources to attract greater investments from public sector, private sector, and other development partners. This will involve a combination of efforts including:

- using project preparation facilities and establishing new ones to develop infrastructure projects on a scale larger;
- linking bankable PPPs and other infrastructure projects to possible long-term financing sources, such as contractual savings and institutional investors;
- raising local currency financing in domestic markets for infrastructure, and using credit enhancement products; and
- replicating innovative instruments for financing, such as the ASEAN Infrastructure Fund, in other subregions of Asia and the Pacific.