

The Role of ADB in Public Private Partnerships

Seminar

**Development of Infrastructure for Sustainable
Economic Growth in Latin America and the
Caribbean**

**Lessons Learned from the Spanish Experience
in PPPs**

Madrid

27 October 2009



Overview

- I. Infrastructure Investments Needed in Asia: Challenges in PPPs**
- II. PPPs after the Financial Crisis**
- III. Some ADB Initiatives**



Infrastructure Investments Needed in Asia:

Challenges in PPPs

Investment Needs

- Asia's total infrastructure investment needs between 2010-20 are USD 8 trillion (Infrastructure for Seamless Asia, ADB and ADBI, 2009)
 - 67% new capacity and
 - 33% in replacement of assets
- Developing countries need to spend ~ 6-7% of GDP annually on infrastructure
 - Actually spent - annual average of 3-4% of GDP

There is an ever widening investment gap



Challenge of PPP

Paradox of Commercialized Infrastructure Projects

**Great need for
Infrastructure**

**Capital in search
of Investments
with Steady
Returns**

**The Missing Link –
Project Development**

ADB

Issues

- How to attract private sector to supplement the public investment shortfall and backlog?
 - Has the Public Sector Comparator or Value for Money for pursuing PPPs changed in recent times?
- PPP approach still merits attention.
- What are the additional constraints of the changed financial crisis that need to be factored?

The issues have not changed and the needs may actually have increased



PPPs after the Financial Crisis



Impacts of Economic Downturn

- Four inter-related developments on Asia as a result of global economic downturn:
 - impact on the **financial system**
 - **liquidity constraint** in domestic financial markets
 - impact via the **trade channel**
 - **reduced remittances** received from overseas migrant workers.

First two impacts of immediate significance to PPPs

Impact of the Crisis on PPPs

- PPP programs affected through:
 - Availability and increased cost of credit for new deals
 - Delay in closure of deals – cautious equity, less debt
 - Abandonment of awarded contracts
 - Liquidity and availability of finance in on-going projects
 - Government finances may be diverted to social sector
 - FIs release of finance
 - O&M of assets
 - Both partners are being forced to reevaluate risk
 - Changed distribution of risks can shift the cost burden between the partners
 - May weaken the attractiveness of PPPs.

**Risk allocation and
financing is impacted**



ADB's Initiatives

ADB Responses to Support Investments after Economic Crisis

- Support of \$16.1 billion towards the \$100 billion increase in MDB's lending over 2009–2011
- Front-loading Concessional Resources
 - Allocation of \$400 million of additional liquidity to ADF-only countries
- Counter cyclical funding support: \$400 million released from prudential minimum liquidity possible due to General capital Increase
- Expansion of Trade Finance Facilitation Program (TFFP) from \$150 million to \$ 1 billion will provide ~\$15 billion new trade financing by 2013 on a roll over basis.



Improve the Effectiveness of PPP Assistance

At a country/regional level, improve the effectiveness of support for :

- Project development
- Infrastructure financing
- Capacity Development to develop a shelf of PPP projects, strengthen policies and regulatory environment
- Advocacy and skill development workshops

Project Development

- Apart from Technical Assistance and loans for project preparation, supporting institutionalized project development e.g.
 - Supporting IIPDF, India and IDCOL, Bangladesh
 - Asia Training and Research Initiative in Urban Management (ATRIUM) - Project Development Facility Company Limited
 - Pacific Infrastructure Advisory Center - manages Pacific Region Infrastructure Facility

ADB's Assistance in PPP Project Structuring in India

- Concept

- Possible PPP projects evolved in the 23 PPP Cells across States (Provinces) and sectors
- Assistance in structuring good pilot PPP projects
 - Create "demonstration" models
 - Allows for replication across country
 - ADB presence will improve risk perception
 - Catalyze private sector involvement
- TA programs of \$7 million will leverage Govt. of India project development funds (IIPDF) to provide transaction advisory and project preparation assistance to PPP proposals



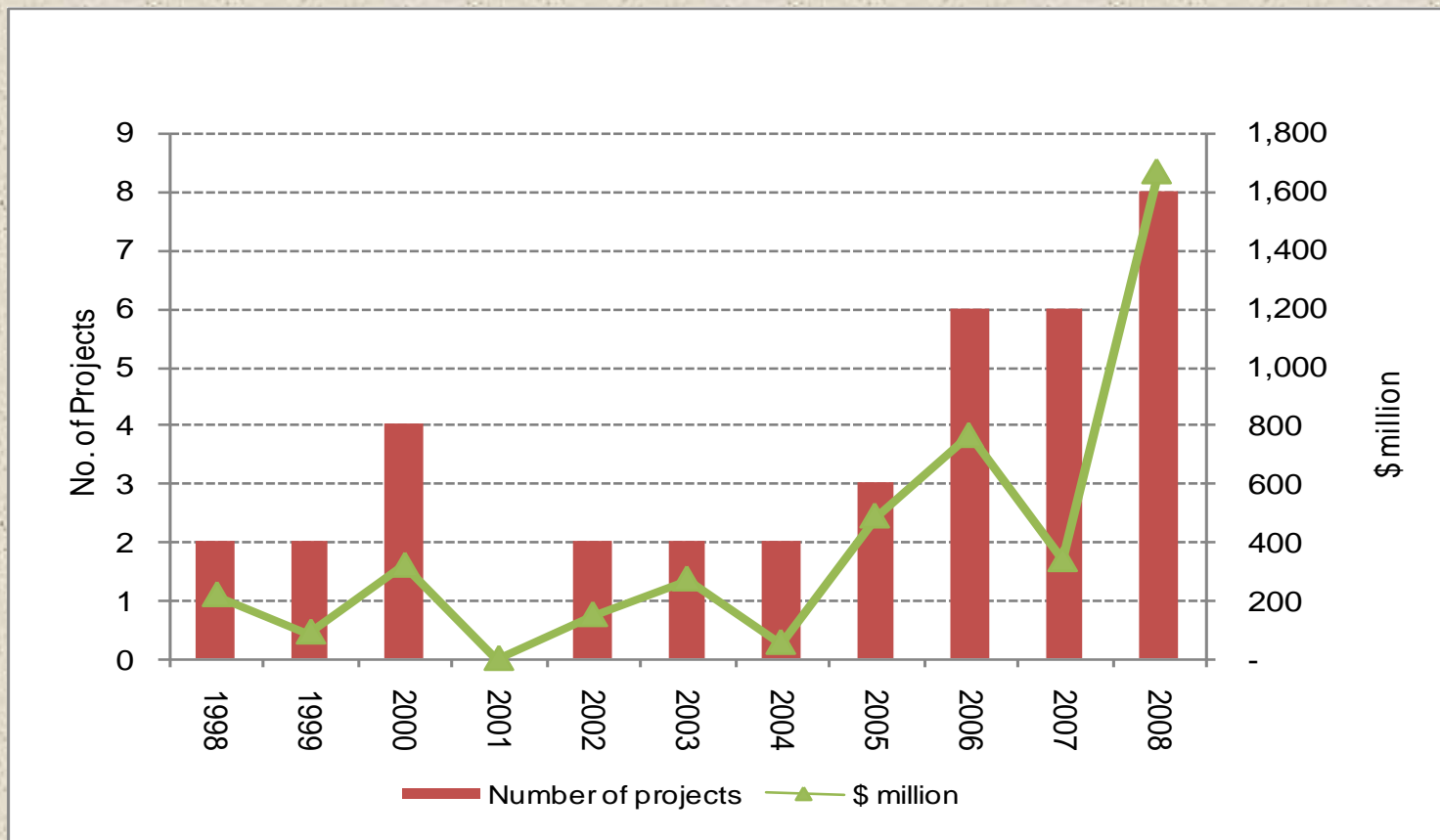
Leveraging Private Capital

- Funding PPP Infrastructure Financing
 - India Infrastructure Financing Company Limited: \$500 million
 - Public Private Infrastructure Development Facility, Bangladesh: \$165 million
 - India Private Sector Infrastructure Facility (PSIF) I & II – \$200million for on-lending through Financial Institutions
 - Indonesia Infrastructure Financing Facility - \$40 million



Finance Private Sector Projects

- Financing 37 private sector projects (in water supply, transport, energy and telecom) with PPP amounting to \$ 4.3 billion



Aligning MDB Capacity Development Activities – MP3IC

Multilateral PPP in Infrastructure Capacity Building – (MP3IC) initiative jointly by ADBI/ADB, MIF/IADB and WBI/WB with support by PPIAF

- Development of PPP Tools
 - PPP Sourcebook for Global Practitioners
 - Core Learning Program (CLP) modules with Multimedia learning products, Global Distance Learning Network (GLDN), Videos
 - Country PPP Readiness scorecards
 - Global PPPI Portal
 - PPP Case Studies and Country Framework Comparisons



Aligning MDB Capacity Development Activities – MP3IC...Contd.

- Knowledge sharing and dissemination
 - PPPI Days 2010 (March 22-24) in ADB Manila
- Regional PPP Workshops
- Partnering with training delivery institutes in different parts of the world

Thank You For Your Attention

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