

# Public-Private Partnership Monitor

## Key Trends and Findings

23 November 2017

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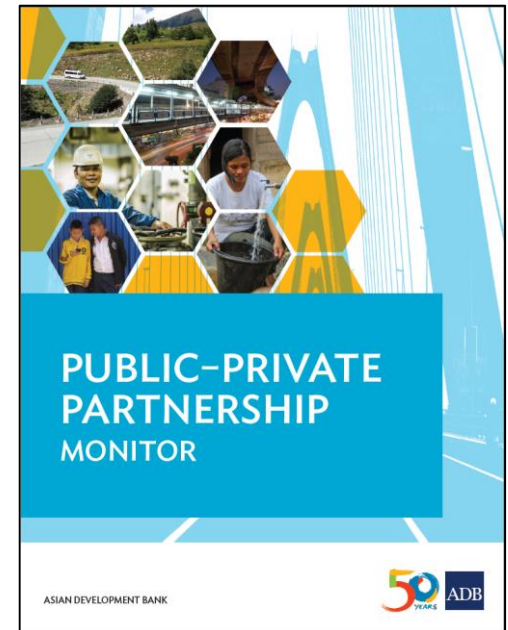
# PPP Monitor

## Benefits and Key Findings

**PPP Monitor** – The PPP Monitor tracks the development of the PPP business environment as well as the challenges of doing PPPs. It benefits policymakers and investors by: providing in depth information and data on the business environment for PPPs over time, enabling infrastructure developers to assess opportunities across countries and sectors, and by flagging important reforms that may affect investors.

### Key Findings

- 1. Countries with developed financial markets** (10+ year loan tenors, diverse financial facilities) are more likely to attract private sector financing. India, the Philippines and Thailand had the most developed financial markets.
- 2. PRC had the most PPP projects reach financial close**, but had a relatively low ratio of PPP Capital Investment/GDP of 1.67%.
- 3. By sector, thermal and renewable energy generation** had the highest percentage of activity in the DMCs surveyed.
- 4. Progress on social sector PPPs remained slow**, apart from India, as social sector PPPs are a relatively new concept.
- 5. Common challenges across DMCs** include: development of financial facilities, attracting a wider investor base, mitigating demand risk in transport PPPs, developing a credible PPP pipeline, and diversification to sectors outside of energy.



# METHODOLOGY—PPP Monitor Concept

- Provides mostly factual specific information that has a practical value to the private sector as the main target audience
- Data organised by Country and by Sector
- The information is presented all in one place for ADB's Developing Member Countries (initially for nine countries, but more countries will be covered)
- Contains information that cannot be easily found in the public domain
- Includes a summary of the current “challenges” in each sector
- Has own methodology to monitor the progress of PPP ‘climate’

# METHODOLOGY—Level of Analysis

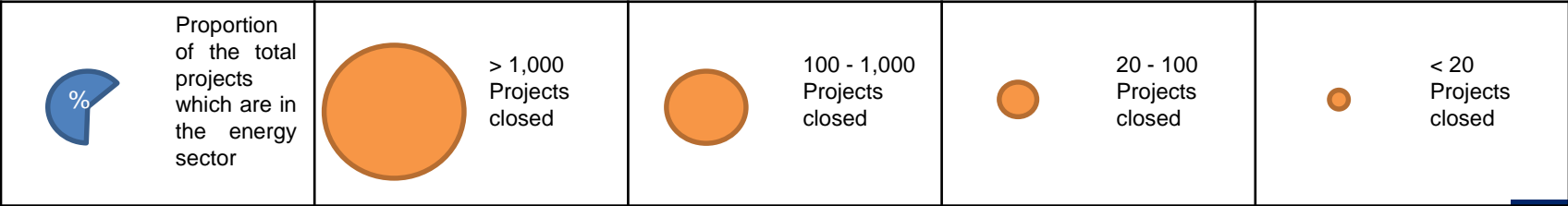
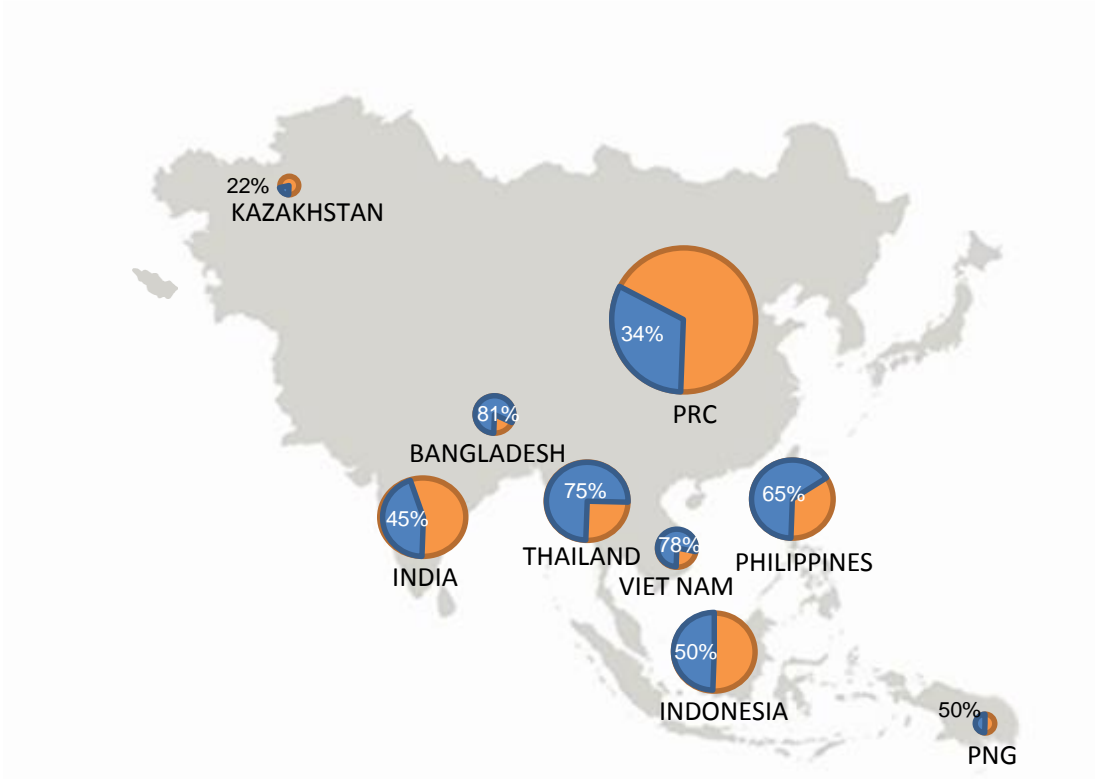
## Country Level Analysis

- **Bangladesh**
- **India**
- **Indonesia**
- **Kazakhstan**
- **Philippines**
- **PNG**
- **PRC**
- **Thailand**
- **Viet Nam**

## Sector Level Analysis (for each country)

- **Energy**
  - Thermal generation
  - Renewable generation
- **Transport**
  - Roads
  - Railways
  - Ports
  - Airports
- **Information and Communication Technology (ICT)**
- **Water and Wastewater**
- **Municipal Solid Waste**
- **Social infrastructure (Healthcare and Education)**

# PPP MARKET MATURITY—Number of PPP Projects that Reached Financial Close



# PPP MARKET MATURITY—Sector Shares of PPP Projects Reaching Financial Close

	Energy	Transport	ICT	Water	Social Infrastructure	Municipal Solid Waste
<b>Bangladesh</b>	81%	3%	12%	0%	4%	0%
<b>India</b>	45%	48%	4%	2%	1%	1%
<b>Indonesia</b>	50%	30%	8%	12%	0%	0%
<b>Kazakhstan</b>	36%	18%	36%	0%	9%	0%
<b>Philippines</b>	65%	23%	6%	5%	2%	0%
<b>PNG</b>	50%	0%	0%	50%	0%	0%
<b>PRC</b>	34%	24%	0%	42%	0%	0%
<b>Thailand</b>	75%	11%	4%	10%	0%	0%
<b>Viet Nam</b>	79%	14%	4%	4%	0%	0%

*\*Some percentages do not add up to 100% because of rounding up.*

# INSTITUTIONAL CAPACITY FOR IMPLEMENTATION

Indicator	Bangladesh	India	Indonesia	Kazakhstan	Philippines	PNG	PRC	Thailand	Viet Nam
Specialized government agency established for PPP purposes	✓	✓	✓	✓	✓	X	✓	✓	✓
Screening/identification methodology to identify a list of potential PPP projects from public investment priority projects	✓	✓	✓	X	✓	X	✓	X	✓
Preferred risk allocation matrix as reference	✓	✓	✓	X	✓	X	X	X	X

Note:

**Red** is considered negative

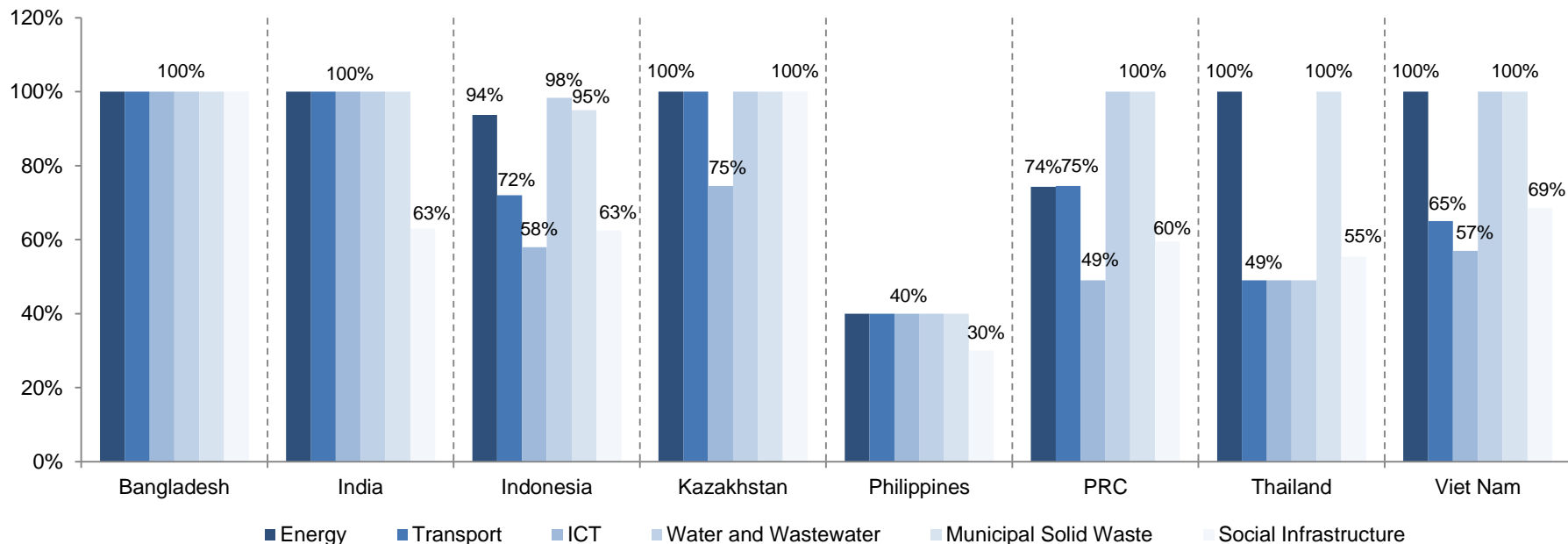
**Yellow** represents neither strongly positive nor negative

**Green** is considered positive based on internationally recognised good practice

- Institutional capacity is mixed in the DMCs surveyed with Bangladesh and Philippines formally having specialized agencies, screening methodologies, risk allocation matrices and independent, international advisors

# REGULATORY FRAMEWORK— Foreign Ownership of Equity in Greenfield Projects

Percentage of Maximum Allowed Foreign Ownership of Equity in Greenfield Projects



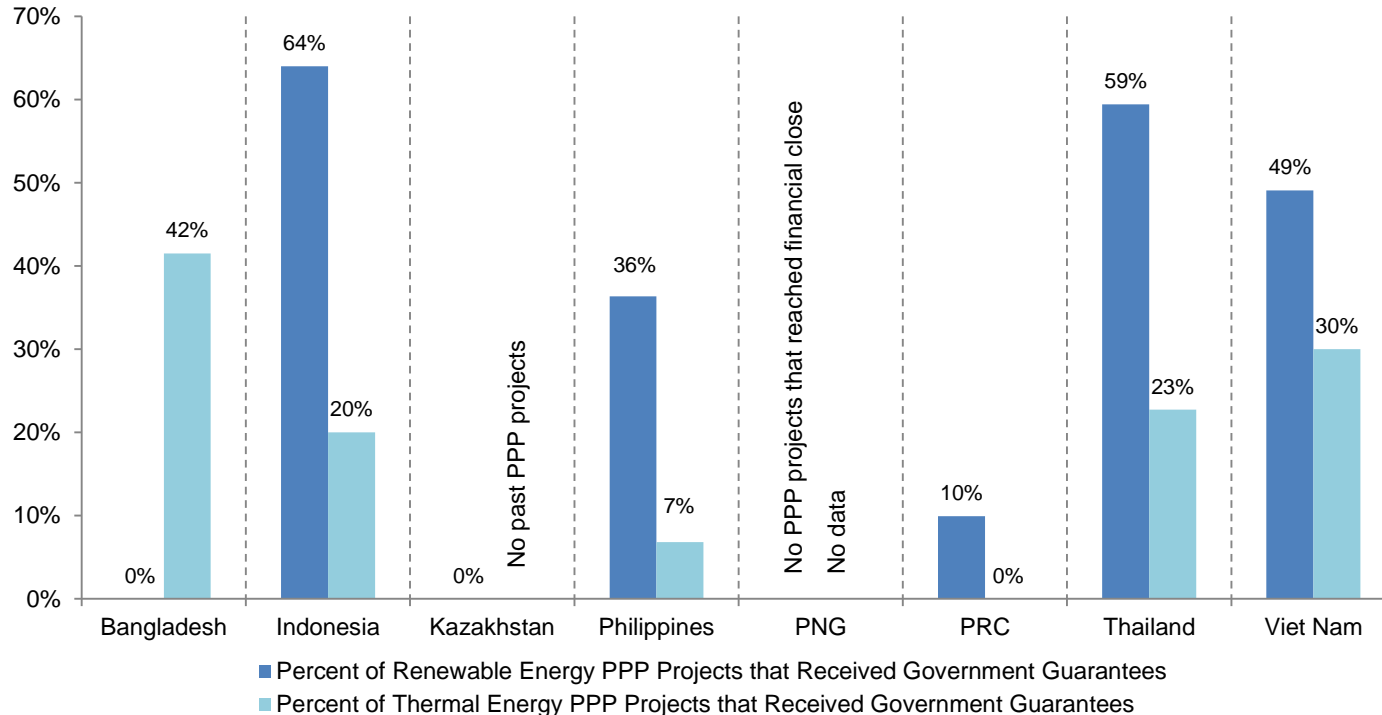
\*Data for PNG not included as there are no particular restrictions specified in the regulations.

- Philippines lags behind in terms of allowable foreign stake in greenfield projects
- Only Bangladesh and Kazakhstan allow 100% foreign ownership in social infrastructure projects



# REGULATORY FRAMEWORK— Government Support for Energy PPPs

Percentage of Energy Generation PPP Projects that Received Government Guarantees



- In most DMCs (with the exception of Bangladesh), renewable energy generation PPP projects received greater government support in the form of guarantees compared to thermal energy projects. Indonesia, Thailand and Viet Nam showed the highest share for such projects.
- Typical guarantees for energy PPP projects include payment guarantees and/or tariff rate guarantees.
- The Government of PRC did not provide guarantees for thermal generation PPP projects.

# FINANCIAL FACILITIES—

## Development of Financial Markets

Indicator	Bangladesh	India	Indonesia	Kazakhstan	Philippines	PNG	PRC	Thailand	Viet Nam
Availability of project finance loans (local currency, limited recourse)	5-9 Years	10+ years	5-9 Years	<5 years	10+ years	<5 years	5-9 Years	10+ years	5-9 Years
Availability of currency swaps*	<5 years	✓	5-9 Years	<5 years	5-9 Years	x	✓**	10+ years	x
Availability of project bond financing (limited recourse)	x	✓	x	x	✓	x	✓	✓*	x
Availability of project financing from local public sector banks	10+ years	10+ years	✓	x	10+ years	x	✓	x	✓

\* Available at a commercially reasonable market rate

\*\* In February 2017, the People's Republic of China's State Administration of Foreign Exchange announced that it would allow foreign institutions investing in the People's Republic of China's interbank bond market to purchase currency forwards and currency swaps. (Asia Bond Monitor)