

ADB Office of Public-Private Partnership (OPPP)

Preparing Bankable Infrastructure Projects in Asia Pacific

**Global Infrastructure Cooperation Conference
September 2019**



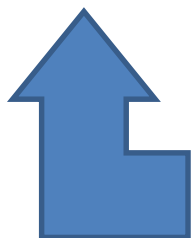
ADB's Approach to PPP's



Background

ADB has been an active partner of DMCs in promoting Public-Private Partnerships (PPP)

Increasing emphasis on PPPs towards 2030



- ADB will play a much larger role in mobilizing and catalyzing public and private resources for development.
- ADB will scale up its support for PPP and support private sector participation in infrastructure.
- ADB will strengthen knowledge service.

However, there are many challenges in promoting PPP in Asia and the Pacific.

Key barriers for promoting PPP

Weak capacity and
commitment

Underdeveloped
enabling
environment

Poor project
preparation

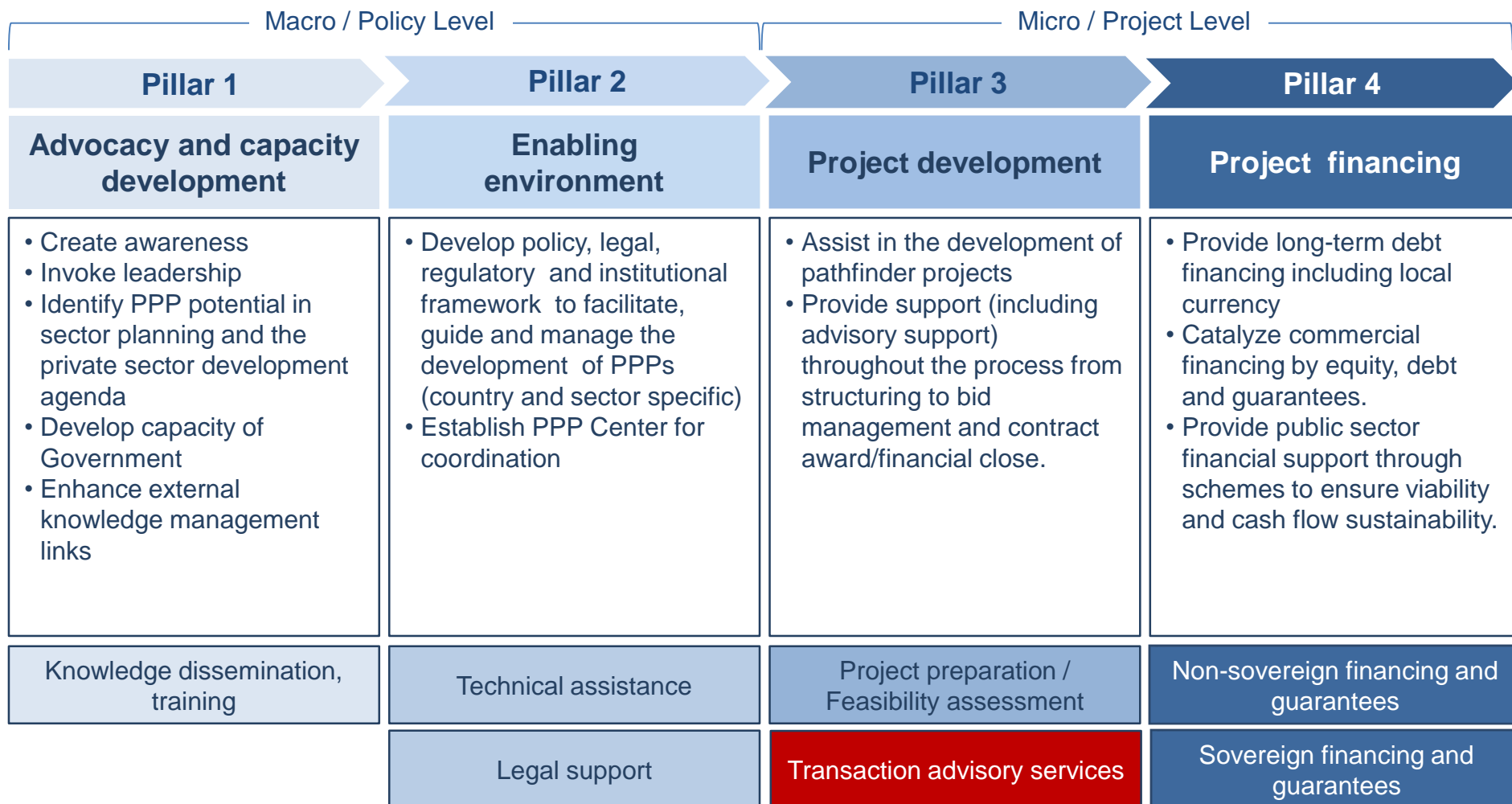
Insufficient project
financing

ADB is unique in having comprehensive operational modalities to support PPP.

OPPP was established in Sep 2014 and has been operational since Jan 2015.

ADB's Approach to PPP's

ADB's PPP strategy is based on a 4-pillar approach that is tailored to the needs and development stage of each member country



ADB's Approach to PPP's

ADB proposes a programmatic approach to PPP's in each sector (power, transport, water etc.) in its member countries which includes model contracts development (Concession / power purchase agreement, government support agreement, land lease agreement etc.) while for individual projects, ADB can provide support in the entire project development cycle as highlighted below

1 Project preparation

- ▶ Review of feasibility studies (technical, commercial and financial)
- ▶ Legal and regulatory analysis

2 Tender preparation

- ▶ Customized tender and project documents
- ▶ Market Sounding with potential investors and lenders

3 Tender process and award

- ▶ Request for Qualification (RFQ)
- ▶ Request for Proposal (RFP)
- ▶ Proposal review
- ▶ Negotiation and contract award
- ▶ Execution of project documents

4 Financial close

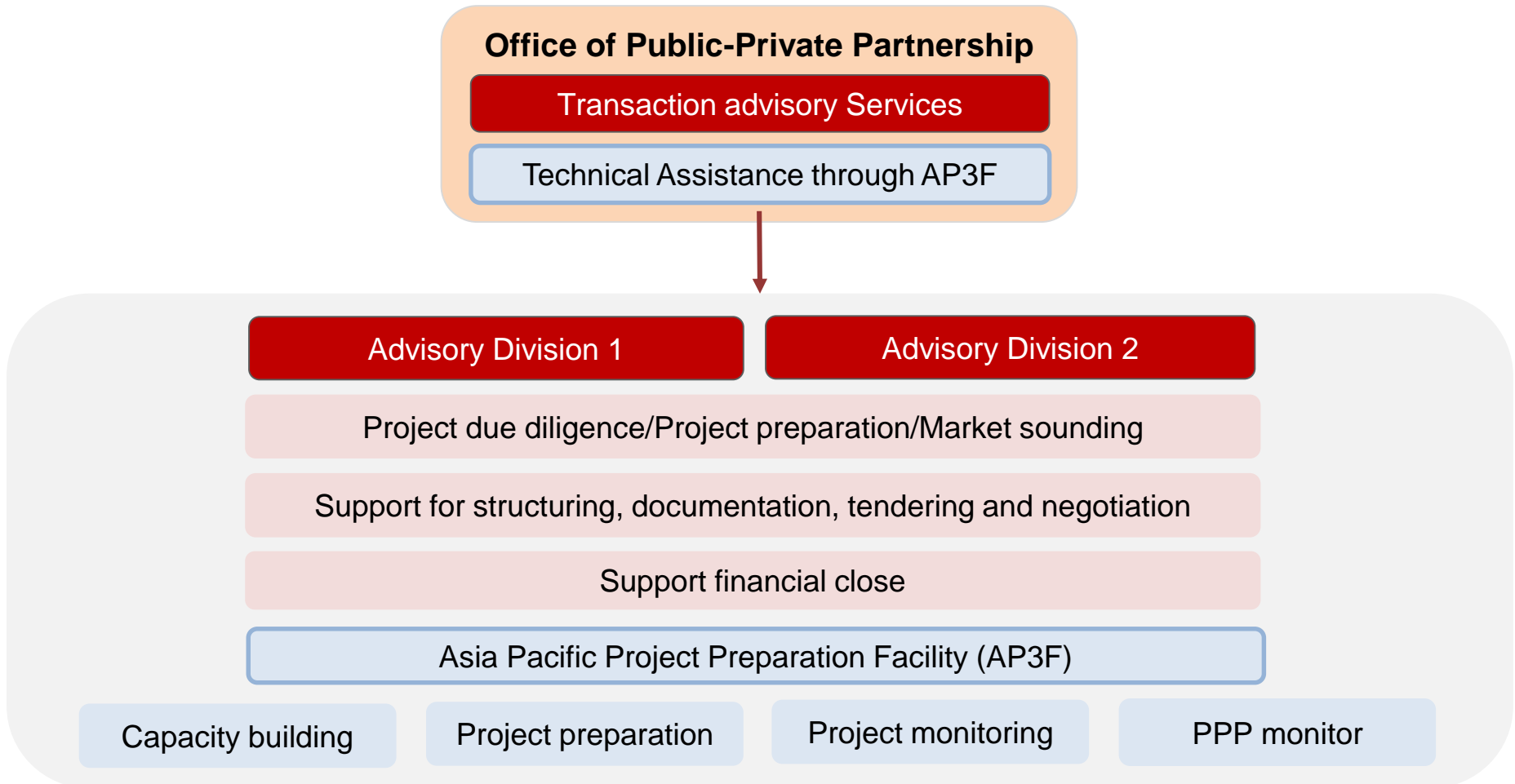
- ▶ Finalization of contracts
- ▶ Finalization of financing agreements

5 Monitoring Support

- ▶ Monitoring the progress of:
 - ▶ Construction
 - ▶ Commissioning and testing



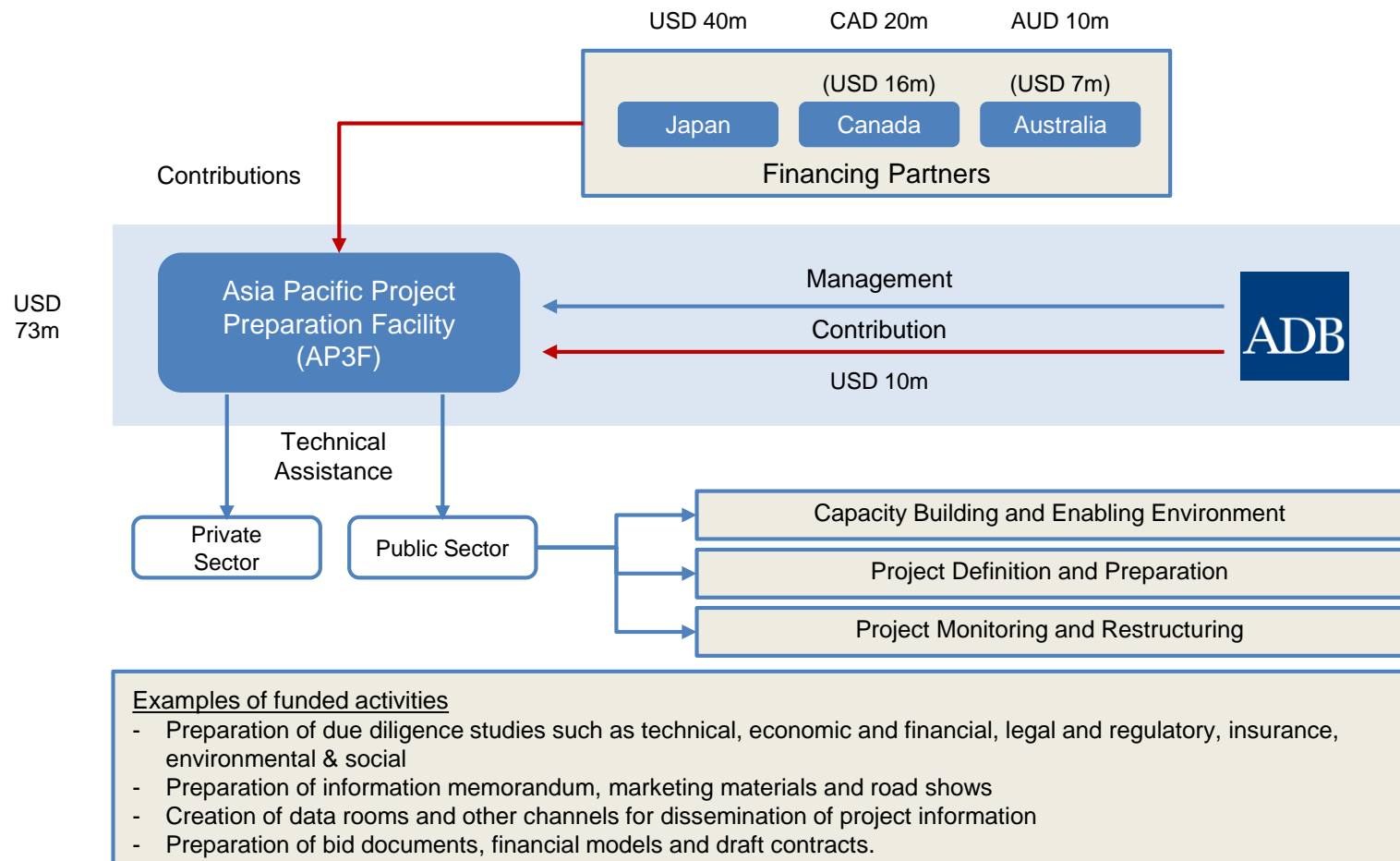
OPPP and Our Products



*Division 1 covers Central and West Asia (CWRD), South Asia (SARD) and Indonesia/Myanmar (transport and urban sectors)
Division 2 covers East Asia (EARD), Pacific (PARD), Southeast Asia (SERD) except Division 1 coverage.

Asia Pacific Project Preparation Facility (AP3F)

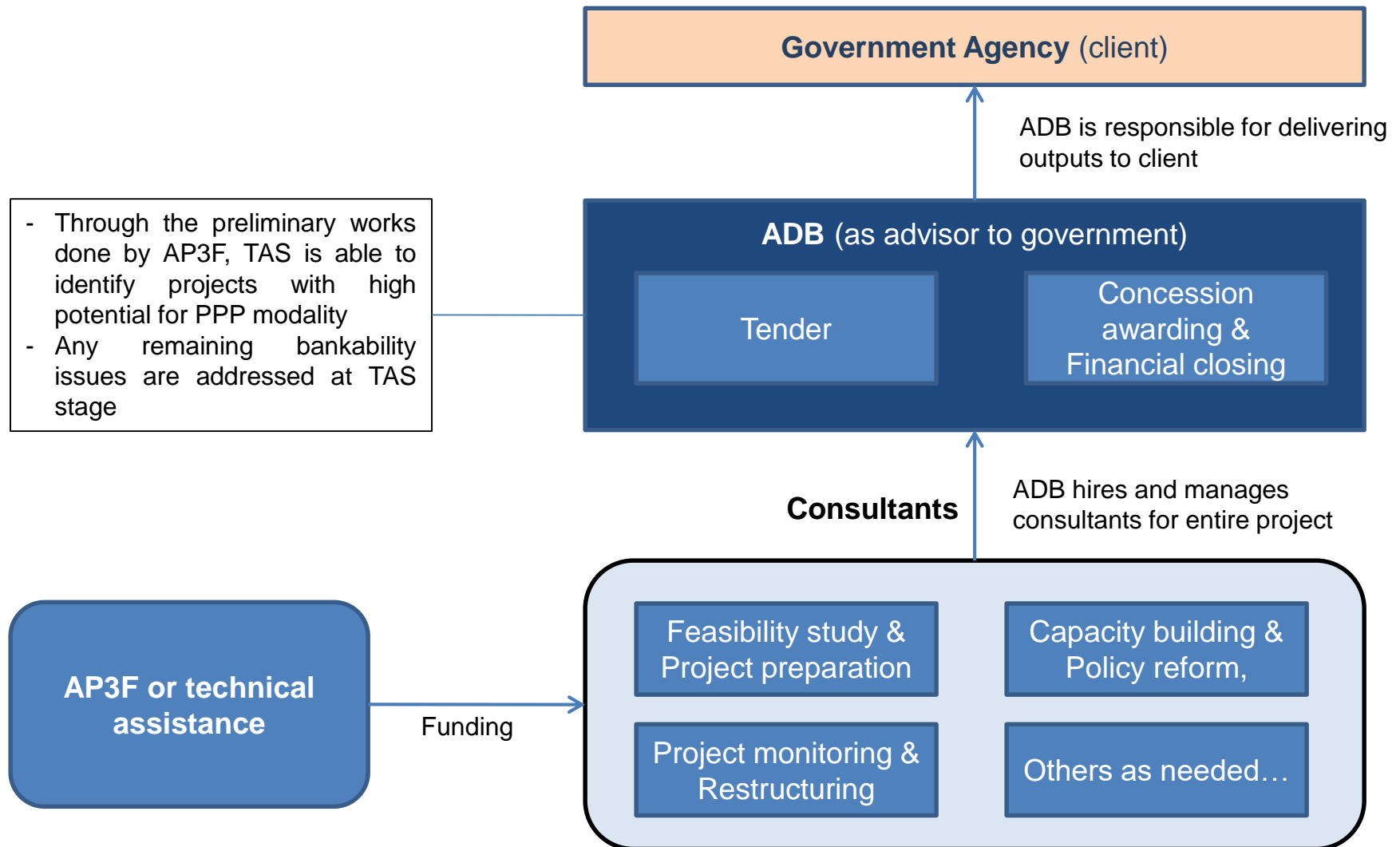
AP3F's primary objective is to assist* governments of developing member countries (DMCs) and their public sector agencies prepare and structure infrastructure projects with private sector participation under public-private partnership (PPP) modalities and bring them to the global market.



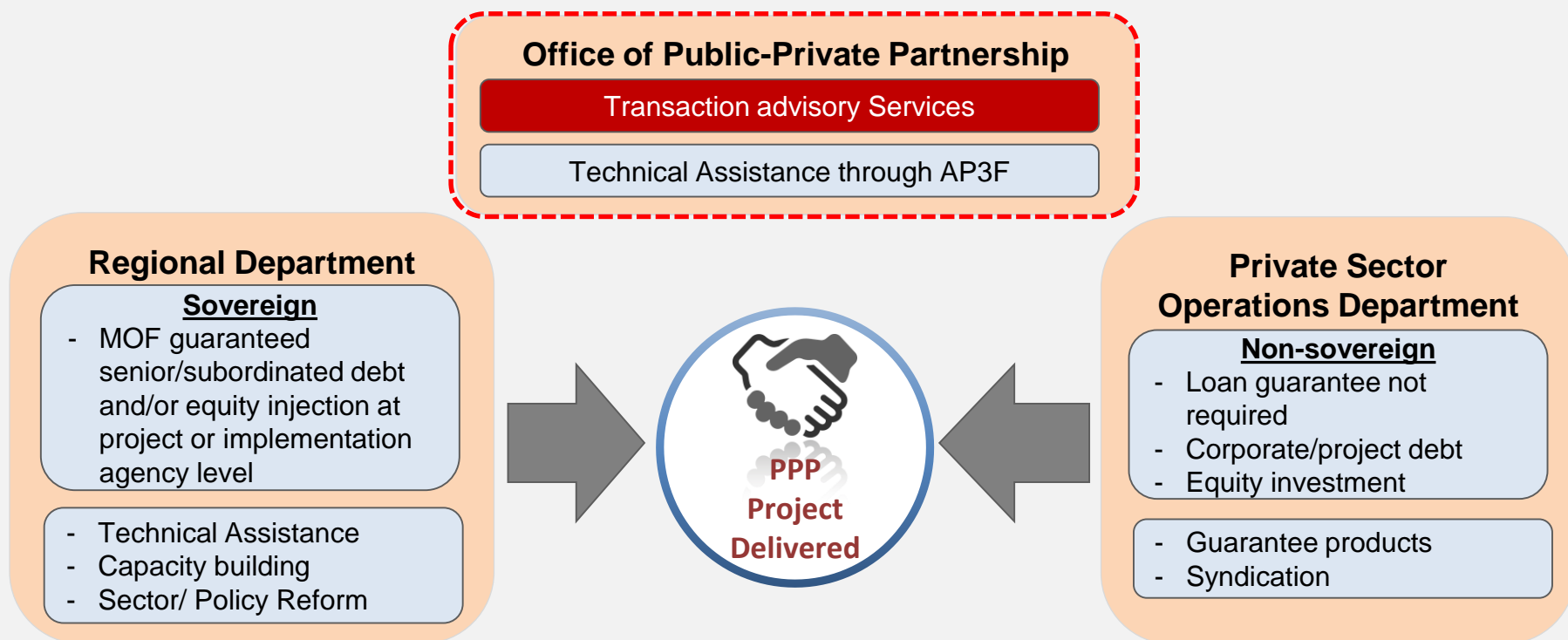
*The AP3F can be fully grant based depending on case by case basis.

TAS and AP3F: Combined Support for Project Development

Using AP3F or other TAs, specialist advisors are hired as required for preparation towards or as part of TAS



One ADB Approach for PPP Projects



One ADB Approach –

Office of PPP: For development of PPP projects, OPPOP funds project selection activity, feasibility study, drafting of concession agreement, etc. For select projects and upon request of government and private sector, OPPOP advises the client on bankability issues, tender and financial closing.

Regional Department: Provides government and government-owned entities technical assistance for capacity building, sector and policy reforms. Based on counter-indemnity of sovereign, lends to a project or implementation agency. Debt may be subordinated to attract commercial lenders.

PSOD: As a non-sovereign lending arm of ADB, PSOD finances PPP project through project and/or corporate loan and invests in equity for qualified projects. PSOD also provides political risk and credit enhancement guarantees and offer syndication services.

OPPP – Ongoing and Completed Projects

Completed TAS Mandates

DECEMBER 2018



Dhaka Bypass

\$370,000,000

Financial Advisor



DECEMBER 2018



**Water Infrastructure
New Clark City**

\$200,000,000

Transaction Advisor



April 2019



**Power Distribution
New Clark City**

\$123,000,000

Transaction Advisor



FEBRUARY 2018



**NGAC
New Clark City**

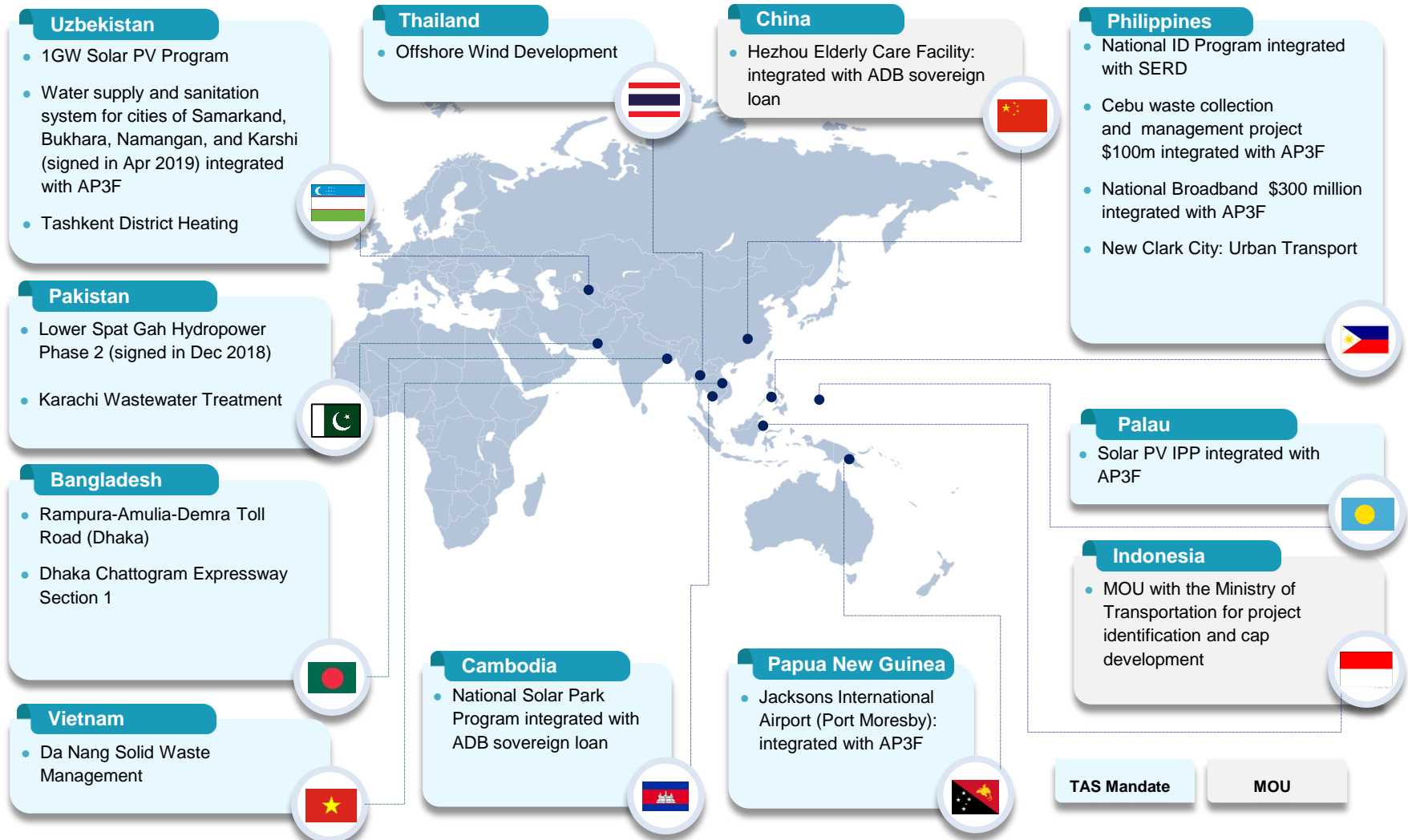
\$250,000,000

Transaction Advisor



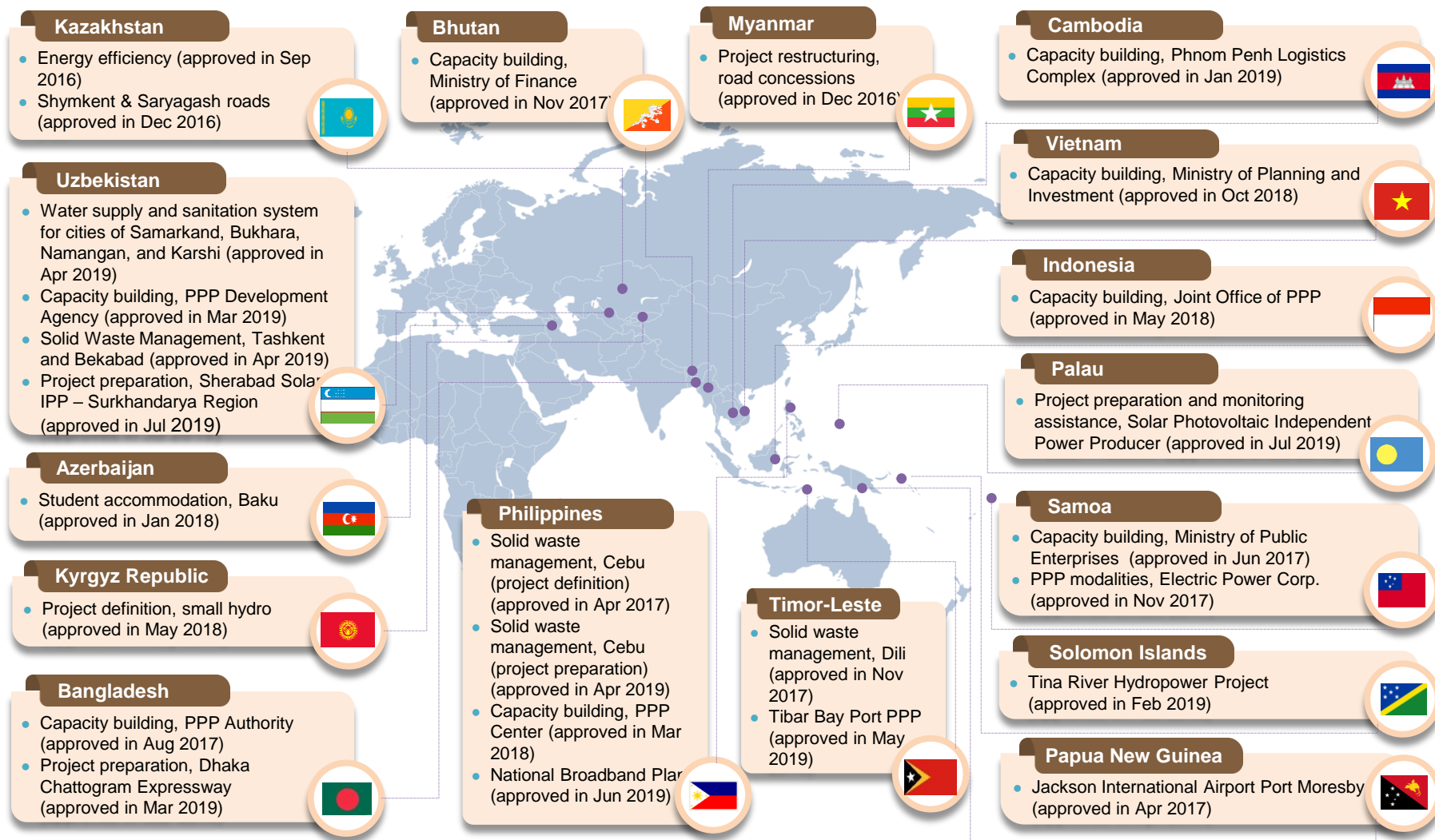
TAS Mandates under Implementation

As of September 2019, OPPP is working on several TAS mandates and MOUs across Asia Pacific

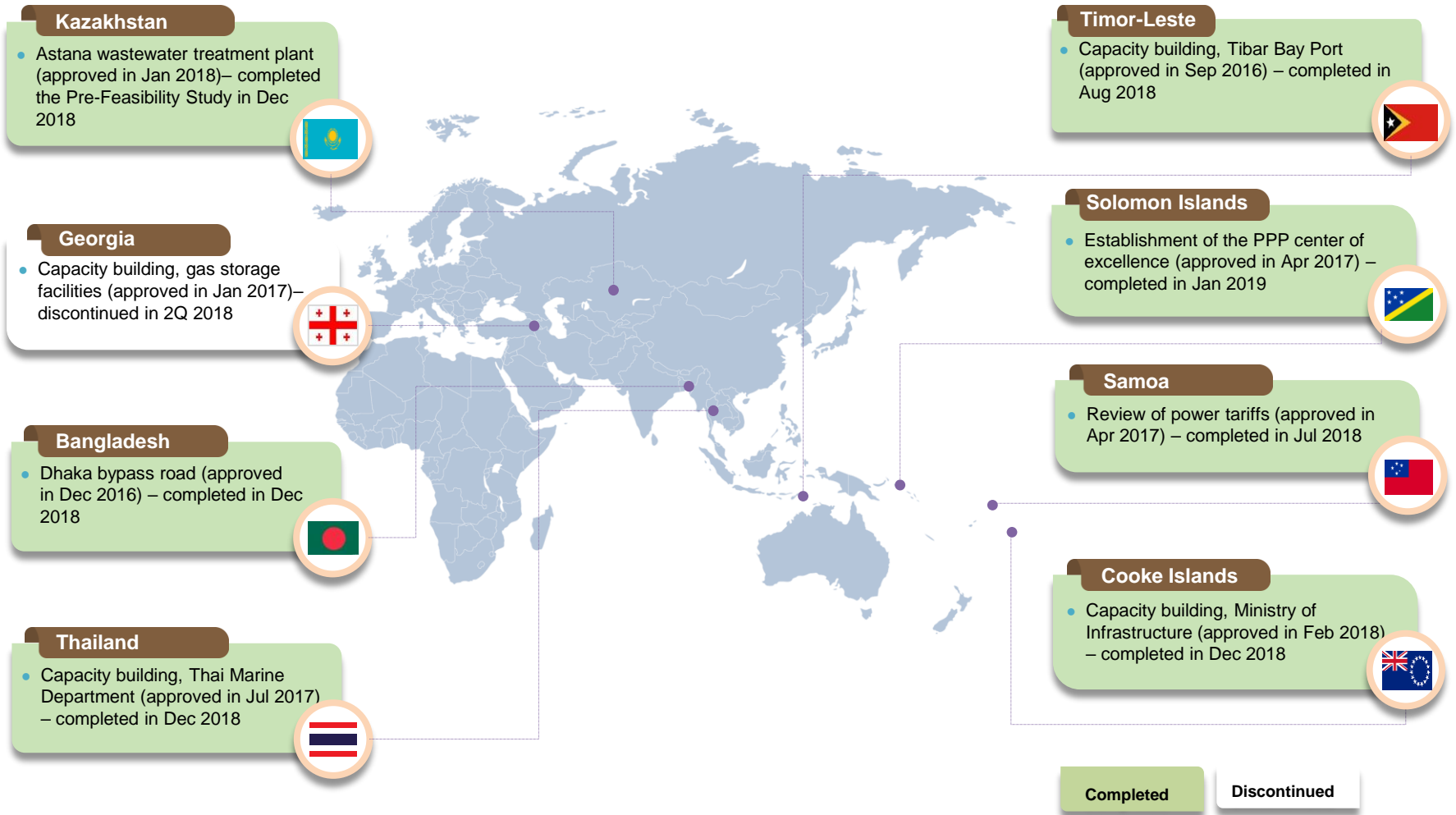


AP3F Applications under Implementation

Currently, AP3F is supporting more than 20 applications



Completed and Discontinued AP3F Applications



Case Studies – Completed Projects

Philippines: Water

New Clark City Water and Wastewater Infrastructure

Completed

Background

- ▶ The New Clark City (“NCC”) is envisioned to be the first smart, environmentally sustainable and climate resilient metropolis, developed by the Bases Conversion and Development Authority (“BCDA”) of the Philippines
- ▶ Situated about 100 km north of Manila in Tarlac province near Clark International Airport, NCC is an estimated \$14 billion project and will cover an area of 9,450 ha with buildable area of 3,250 ha

The Project

- ▶ The estimated cost of the NCC Water and Wastewater Infrastructure Project (“Project”) is \$200m (\$114m for water and \$86m for sewerage) to be funded by a private partner as a joint venture with BCDA
- ▶ Smart features includes advanced water and wastewater treatment, AMI, SCADA, effluent reuse, centralized control, etc

OPPP’s Transaction Advisory Mandate

- **Evaluation of the master plan of NCC**
- **Screening and assessing the viability of the Project:** produce a business case containing a commercial assessment and PPP/JV options analysis based on the proposed water infrastructure including
 - Demand analysis and phasing plan
 - Risk and benefits
 - Procurement plan to identify an optimal structure for the Project which is bankable and capable of achieving development goals
 - Smart, green and resilient options
- **Structuring and tendering the Project:**
 - Legal due diligence
 - Preparation of bid documents
 - Market sounding
 - Financial analysis and transaction structure
 - Running the 2-stage tender process under BCDA JV Guidelines



Total Projected Population*



1.2 Million
Residents



800,000
Workers

*Upon Full Development

Philippines: Power

New Clark City Power Distribution Infrastructure

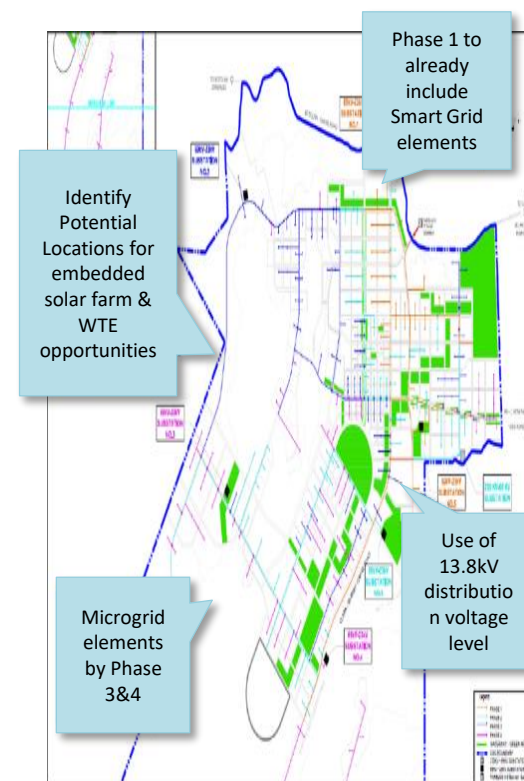
Completed

The Project

- ▶ The New Clark City Power Distribution Infrastructure Project ("Project") is the development of a future-proofed smart-grid and sustainable power services in NCC.
- ▶ Estimated project cost of \$120 million to be funded through a joint venture between BCDA and its selected private sector partner
- ▶ Key Features of the Projects are
 - Multiple connections to main grid for redundancy
 - Multiple substations in radial design to ensure system reliability
 - Fully underground distribution conduits that is resilient to inclement weather
 - Smart grid management systems that can react timely to disruptions
 - Embedded generation, with focus on renewable energy and self-sufficiency
 - Demand-side management system and microgrids to promote energy efficiency
 - Advance metering infrastructure, smart transformers, SCADA and others

OPPP's Transaction Advisory Mandate

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Bangladesh: Road

Dhaka By-Pass

Completed

Background

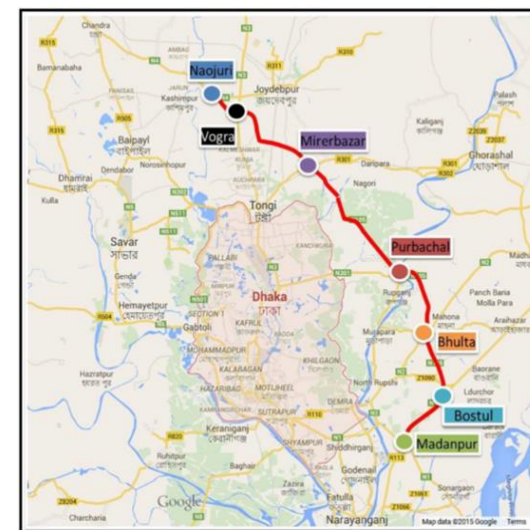
- ▶ Dhaka is one of the world's most densely populated cities with population over 17 million. National GDP growth has been strong, growing at 6% per year over last 10 years. Road traffic has increased 130% over last 10 years and accounts for 80% of national passenger traffic

The Project

- ▶ The Dhaka Bypass (DBP) is the 4-laning of the N105 highway (shown), which will provide a connection between the industrial zone in the north and east, and the major national highways to the rest of the country.
- ▶ DBP is a 48-km at-grade access-controlled road, including 4-lane tolled section and 2-lane service road. Project capex is \$350 million includes one bridge
- ▶ Structure allocates market risk to private sector but government provides a minimum revenue guarantee (MRG)
- ▶ The Project is the first road PPP to be implemented under Bangladesh's PPP Law

OPPP's Transaction Advisory Mandate

- Joint support from transaction advisory and Asia Pacific Project Preparation Facility (AP3F)
- **Drafting of bidding documents**
 - Key commercial terms; Request for Proposals; PPP contract
- **Tender support: Support during the tender process including:**
 - Answering to questions from bidders
 - Amending bidding documents
 - Legal review of technical and financial proposals
- **Structuring support:** Review commercial and financial structure of the project focusing on:
 - Currency, Demand and Payment risk analysis
- **Support during post-bid negotiations including:**
 - Negotiations with preferred bidder
 - Support commercial award



Technical Data



10,000 Vehicles



48 km long, 4 lanes + service road



\$350 million direct investment

Case Studies – Ongoing Projects

Uzbekistan: Power

1 GW Solar Program

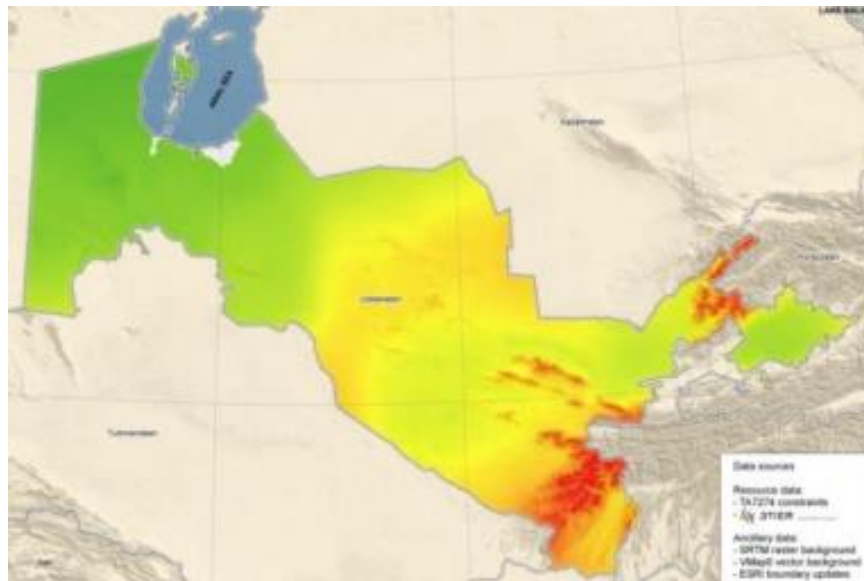
Ongoing

Background

- ▶ ADB is working with Ministry of Energy, to develop the 1 GW ADB Uzbekistan Solar Program
- ▶ The first project will be of up to 150 MW of solar PV power generation from the private sector through competitive tendering. The project is supported by the technical assistance from ADB's Asia Pacific Project Preparation Facility
- ▶ The Project aims to demonstrate the ability of large-scale solar to improve the electricity supply and stability of the national grid, substitute for power imports, reduce reliance on fossil-fuel and complement hydropower generation

The Project

- ▶ The Project scope includes design, finance, construction, operation and maintenance of 150MW solar PV power plants near the city of Sherabad in the district of Surkhandarya in Southern Uzbekistan
- ▶ This project will be implemented by the Ministry of Energy with ADB being the sole Transaction Advisor. ADB will also coordinate with the Ministry of Investment and Foreign Trade, and the PPP Development Agency of Uzbekistan



OPPP's Support

- **Project Preparation**
 - Feasibility Study, Project Structuring
- **Tender support: Support during the tender process including**
 - Preparation of tender documents
 - Preparation of bid evaluation criteria
 - Legal review of technical and financial proposals
- **Support during post-bid negotiations including:**
 - Negotiations with winning bidder
 - Finalization of contracts
 - Support commercial award

Timor-Leste: Waste

Dili Solid Waste Management

Ongoing

Background

- ▶ Dili, the capital city of Timor-Leste, has one of the biggest dump sites in the developing world, the dump posing a serious threat to human health and environment
- ▶ Dili urban solid waste management strategy was adopted based on the Government Resolution No. 32/2016 of 5 Oct 2016

The Project

- ▶ The Objectives of Dili Solid Waste Management Project ("the Project") are
 - Acquiring a fleet of modern and efficient waste collection bins and vehicles
 - Acquiring mobile plant, weighbridge and landfill equipment to upgrade operating standards of Tibar dump site
 - Improving management and collection efficiency of solid waste collection services for 7 years
 - Remediating and constructing existing Tibar disposal site to a controlled landfill based on DBO contract for 10 years
- ▶ The estimated Project capex is \$18.5 mil

OPPP's Support

- **Project Preparation**
 - Feasibility Study
 - Project Structuring
- **Tender support: Support during the tender process including**
 - Preparation of tender documents
 - Preparation of the power purchase agreement for the project
 - Preparation of bid evaluation criteria
 - Answering to questions from bidders
 - Legal review of technical and financial proposals
- **Support during post-bid negotiations including:**
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Cambodia: Power

National Solar Park

Ongoing

Background

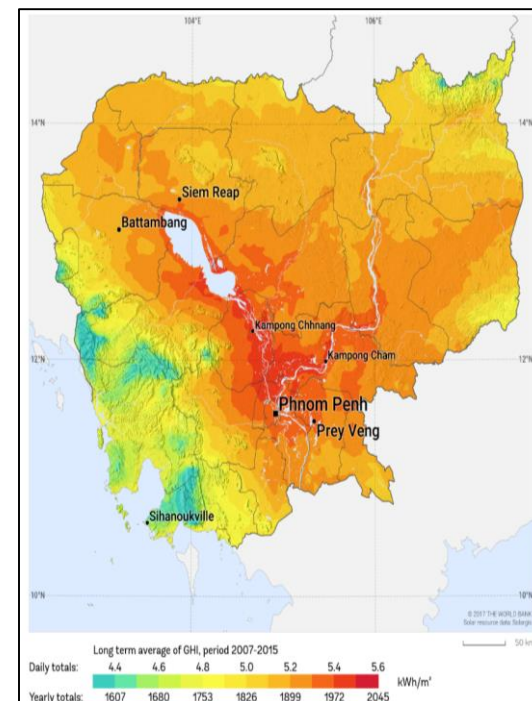
- ▶ ADB is working with Electricite Du Cambodge (EDC), to develop National Solar Park ("the Project") to procure up to 100 MW of solar PV power generation from the private sector through competitive tendering. The project is supported by the ADB's Technical Assistance and cofinanced by the Singapore and Canada governments
- ▶ The Project aims to demonstrate the ability of large-scale solar to improve the electricity supply and stability of the national grid, substitute for power imports, reduce reliance on fossil-fuel and complement hydropower generation

The Project

- ▶ The Project scope includes design, finance, construction, operation and maintenance of 30MW solar PV power plants for 20 years and the site is within the national solar park located 60-70km from Phnom Penh
- ▶ EDC will provide land, substation, transmission lines to connect to grid and battery storage and grant 20-year PPA through competitive bidding

OPPP's Support

- Joint support from the ADB's Regional Development team, which finances the transmission lines and substations for the project.
- **Project Preparation**
 - Feasibility Study
 - Project Structuring
- **Tender support: Support during the tender process including**
 - Preparation of tender documents
 - Preparation of the power purchase agreement for the project
 - Preparation of bid evaluation criteria
 - Answering to questions from bidders
 - Legal review of technical and financial proposals
- **Support during post-bid negotiations including:**
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Solomon Islands: Power

Tina River Hydropower Project

Ongoing

Background

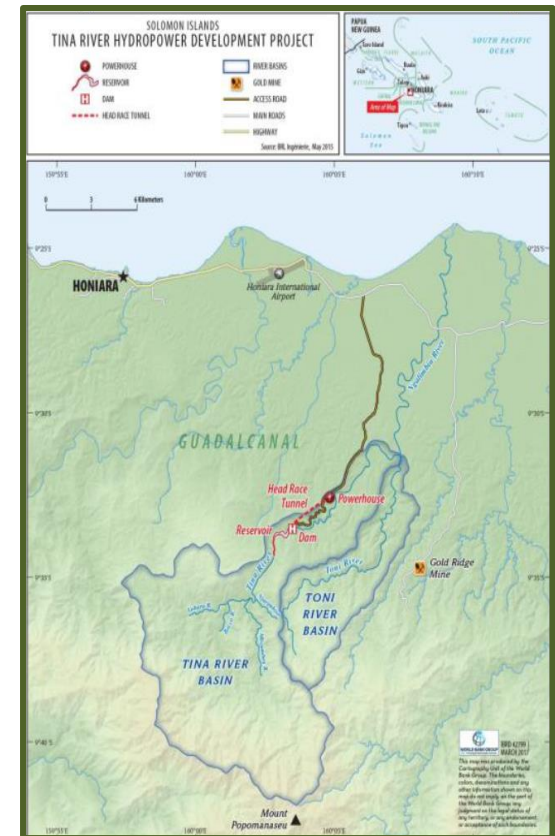
- ▶ Solomon Islands (SI) largely relies on diesel to produce electricity (retail tariffs paid by the consumer was \$0.65/kWh in 2016), and high cost of electricity generation is negatively impacting economic growth.

The Project

- ▶ The Solomon Islands Government (“SIG”) is developing Tina River Hydropower Project (“Project”) with designed capacity of 15MW through engagement of private developers including K-water and Hyundai Engineering (HEC) and Solomon Islands Electricity Authority (SIEA) as offtaker.
- ▶ Situated on the Tina River, tributary of the Ngalimbiu River in northern Guadalcanal Island.
- ▶ To reduce financing cost therefore the tariff, concessional financing from various development banks and bilateral agencies are being sought.
- ▶ Potential financiers include World Bank (WB), Australian Government, Asian Development Bank (ADB), Green Climate Fund (GCF), Economic Development Cooperation Fund (EDCF) of Korea and Abu Dhabi Fund for Development (ADFD).

OPPP’s Mandate

- Joint support from the ADB’s Regional Development team as well as transaction advisory and Asia Pacific Project Preparation Facility (AP3F).
- **Designing procedures to:**
 - Manage unique financing structure in which concessional loans are on-lent to private developers through preparation of Operational Manual
 - Implement and administer the requirements under various finance and project documents
- **Help SIG increase its capacity to implement more PPP projects in the future.**



China: Healthcare

Guangxi Elderly Care Facility

Ongoing

Background

- ▶ Guanxi Elderly Care Facility ("the Project") is the development of an elderly care facility in Hezhou City of Guangxi Zhuang Autonomous Region (GZAR), which will be procured as a PPP. The Project will be the first case to be supported by international financial institutions for GZAR to: (i) address development challenges in adapting to its aging population; and (ii) promote a PPP model for its social infrastructure.

The Project

- ▶ The Project scope includes
 - (i) Transition Care
 - (ii) Facility design and construction
 - (iii) O&M
 - non acute-medical care, including nursing care and rehabilitation; and
 - long-term care (care for activity for daily living)
- ▶ As per Chinese regulation, gov't subsidies for PPP project cannot exceed (i) 50% of the CAPEX and (ii) for OPEX, 10% of the relevant municipality's annual budget (when all PPP projects are pool together). Also the CAPEX subsidy is only paid at completion of construction, i.e. private developer should mobilize financing first

OPPP's Support

- EARD prepared the Project Concept Paper and the Project is one of the EARD's loan subprojects where OPPP would be providing the transaction advisory service. This is a good example of One ADB at work where OPPP and RD are working together to deliver integrated solutions with high value to the client.
- **Project Preparation**
 - Pre-feasibility study
 - Procurement options analysis
- **Structuring of the transaction**
 - Structuring for mitigating demand risk by providing availability or service payment
- **Tender support: Support during the tender process including**
 - Preparation of template bidding documents for further municipal PPPs
- **Marketing, tendering and project award**



Philippines : Information and Communications Technology

National Broadband Plan

Ongoing

Background

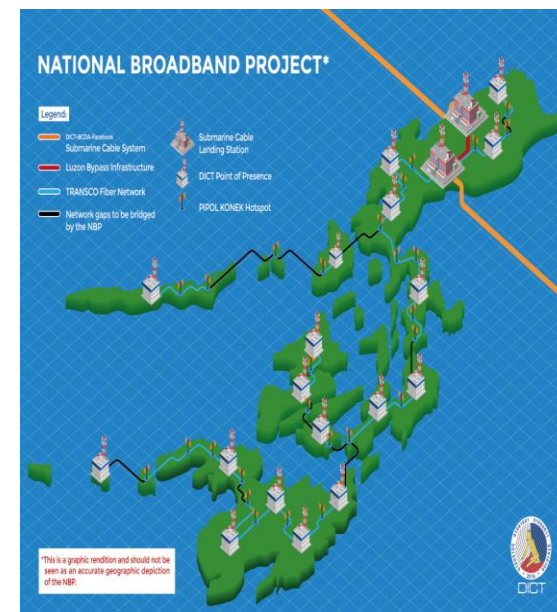
- ▶ The Philippines National Broadband Plan (the Project) is developed by Department of Information and Communications Technology (“DICT”). DICT is the primary policy, planning, coordinating, implementing, and administrative entity of the Government of the Philippines in charge of the promotion and development of the national communication and internet agenda

The Project

- ▶ The Project is a nationwide project to roll the deployment of fiber optic cable and wireless technologies all over the country, to:
 - (i) ensure access to internet across the country, including remote areas,
 - (ii) provide for free public wifi in certain location, and
 - (iii) have the infrastructure in place to allow online government services.
- ▶ The Project may be split into multiple packages given the scale

OPPP’s Support

- **Project Preparation**
 - Feasibility Study
 - Strategic options analysis
- **Tender support: Support during the tender process including**
 - Preparation of tender documents
 - Market sounding
 - Preparation of bid evaluation criteria
 - Answering to questions from bidders
 - Legal review of technical and financial proposals
- **Support during post-bid negotiations including:**
 - Negotiations with winning bidder
 - Finalization of contracts
 - Support commercial award



Contact

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Thank You

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