ADB Support for PPPs

Qian Ying, Director and Craig Sugden, Principal PPP Specialist

East Asia Regional Department

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ADB's PPP Operational Plan

Pillar 1
Advocacy
and capacity
development

Pillar 2
Fostering
the enabling
environment

Pillar 3
Project
development

Pillar 4
Project
financing

Create
awareness,
encourage
leadership,
identify the
potential of
PPPs, develop
capacity

Help develop the policy, legal, regulatory, and institutional framework Provide expert support, tool kits, funding costs of transaction advisors, or procurement support

Provide tailored financial support eg guarantees, equity, loans, viability gap funding

EARD

EARD

EARD

PSOD and EARD

Strategic directions

- Help develop and demonstrate best practice approaches to PPPs
- Address the high demand for public services arising from urbanization
- Assist innovation in government financing

Our value-added

- A deep understanding of key sectors and urbanization
- Experience and knowledge of PPPs in the PRC and internationally
- Extensive experience with the PRC's finance sector and public finances

Our approach

- Provide a package of support based on high quality, 'pathfinder' PPPs
- Support a 'learning by doing' approach
- Provide early, concrete action

A holistic approach



ADB

Transaction advisory services

- To help complete well prepared, pathfinder PPPs
- To ensure that PPP contracts are 'investment grade' and that projects are bankable
- Our preference is to recover non-ADB costs from winning bidders

Financial support

- Targeted financial support may be available for transformational PPPs
- ADB funds would be used to establish the creditworthiness of a PPP and leverage private investment

Loan Products

- **1. Investment loan** with a performance-based contract
- **2. Loans to financial intermediaries** for onlending, at the financial intermediary's risk, to final borrowers
- **3. Policy-based lending,** to support reforms and improve policies. It provides budget support to governments to address development financing needs.
- **4. Results-based lending**, to support governments in designing and implementing government-owned sector programs. Disbursement is linked directly with the achievement of program results.
- **5. Partial credit guarantee** to cover credit risks associated with a borrower's inability to fulfill its debt service and repayment obligations on time.
- **6. A range of other products** are available for private investors eg loans, equity investments

PPP Incentive Scheme

- A set-aside for all members of \$500 million in additional Ordinary
 Capital Resources (OCR) for 2015
- A \$100m PPP could provide up to \$70m in OCR
- Additional technical assistance for transaction advisory services

Demonstration cities

- An initiative that will help adapt projects to the PPP approach
- Initial projects will be simple and low risk
- Used as test cases for streamlining and adapting systems to PPPs
- To be rolled out to other cities

ADB and CDIA support

Approval of project investment procurement Approval to proceed with PPP Approval to invite EOI Approval to issue an RFP

to shortlisted

Approval of preferred bidder

Approval to contract

Inception Phase



Project Development Phase



Expressions of Interest Phase



Request for Proposal Phase

Negotiation and Completion Phase



Key steps:

- Initial screening of PPP opportunities
- Prepare preliminary business case
- Assessment of budget impact

Key steps:

- Assemble resources
- Develop a project plan
- Commence key work streams
- Market testing
- Prepare draft business case

- Develop invitation for EOI
- Obtain approval to release the EOI
- Release invitation for EOI
- Evaluate EOI responses
- Shortlist bidders

Key steps:

- RFP development phase
- > Develop RFP documentation
- > Seek approval to release
- RFP bid phase
- RFP evaluation phase
- Finalize business case
- Selection of preferred bidder

Key steps:

- Establish the negotiating team
- Set the negotiation framework
- Report to government
- Contract close / execution
- Financial close

Key steps:

- Formalize management responsibilities
- Monitor project delivery
- Manage variations
- Monitor the service outputs
- Maintain the integrity of the contract

ADB and **CDIA**

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For More Information

Please contact us at yqian@adb.org or csugden@adb.org



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