



cutting through complexity™

Public Private Partnerships

Approaches from Overseas

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Agenda

Introduction

Global PPP context

What is PPP?

Asia versus Europe

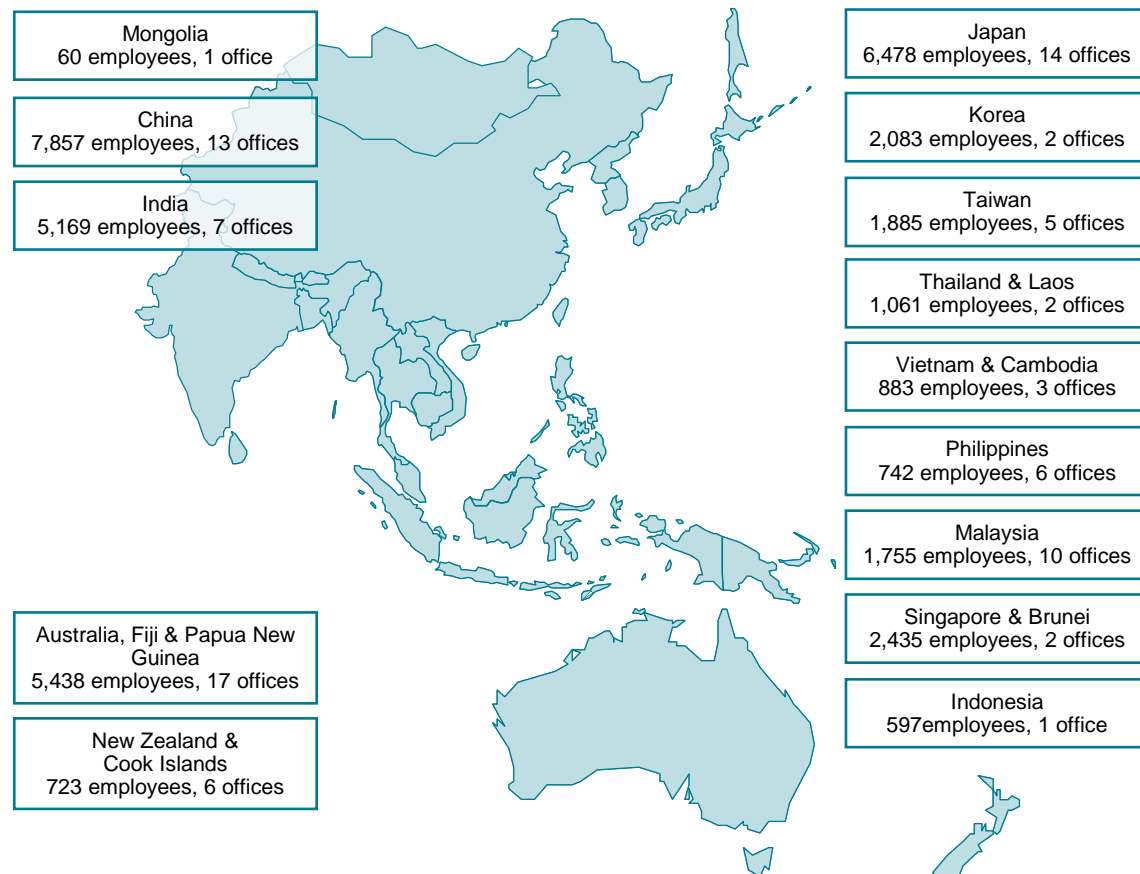
Conclusions



- KPMG's Infrastructure team
 - Focused on:
 - Transport (surface, air and sea)
 - Environment (water, waste, energy);
 - Social infrastructure (healthcare, education)
- 400+ people, drawn from varied backgrounds

KPMG's ASPAC Advisory network has about 250 partners and 4,000 professional staff including product and industry specialists, providing risk and financial advisory and other value-added services to benefit our clients.

Facts and Figures



KPMG In Asia Pacific

- Over 40,000 professional staff in 90 offices in 20 countries
- Balanced local and multinational client base
- Multidisciplinary services include accounting, tax and financial advisory

KPMG Infrastructure

- ASPAC's Infrastructure practice comprises over 150 professional staff
- Offering a complete range of services from strategy to execution to post completion
- Well equipped with insights and skills through projects delivery for government and private sectors across Asia

KPMG Debt Advisory in Asia

- Over 20 professionals in four offices over three countries
- Operates across an international network with centers of excellence in each of the world's major financial hubs
- Offering integrating debt solutions with appropriate, complimentary KPMG Advisory, Tax and Audit products

Public sector

1 Feasibility of private option

- Structure objectives
- Advise on capital structuring and risk transfer
- Assess VFM

4 Evaluation of bids

- Contractual analysis
- Financial modeling
- Negotiation and evaluation of VFM

2 Marketing projects

- Marketing packages of services
- Approaching bidders and lenders

5 Contractual matters

- Negotiation
- Ongoing monitoring and support

3 Competitions for bidders

- Competition process

Target best VFM, optimise risk allocation, ensure deliverability

Private sector

1 Feasibility

- Risk analysis
- Financial modeling
- Contractual matters
- Financing options

2 Financial structuring

- Risk allocation
- Funding strategy
 - Capital structure
 - Lender identification
 - Export credit
 - Refinancing
- Tax and accounting

3 Arranging finance

- Manage competition amongst lenders
- Negotiate terms
- Refinancing

4 Closing the deal

Optimise funding package to achieve competitive funding package and maximise equity returns

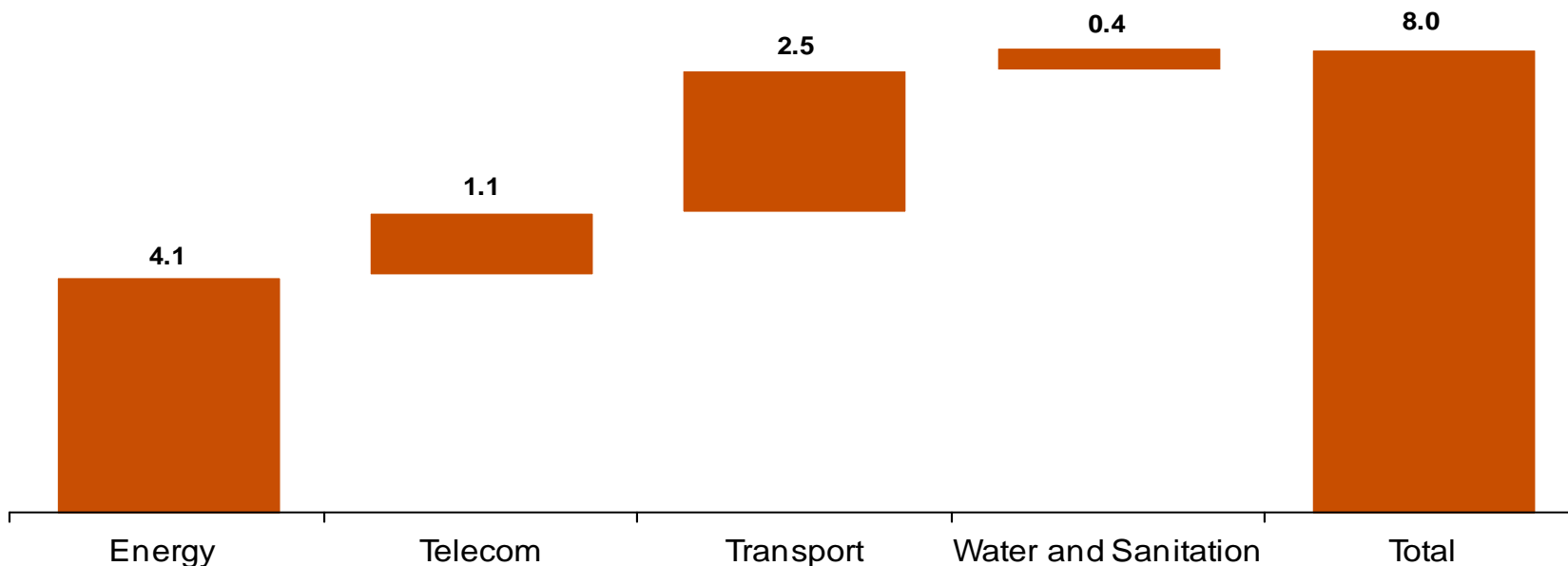
The Global context



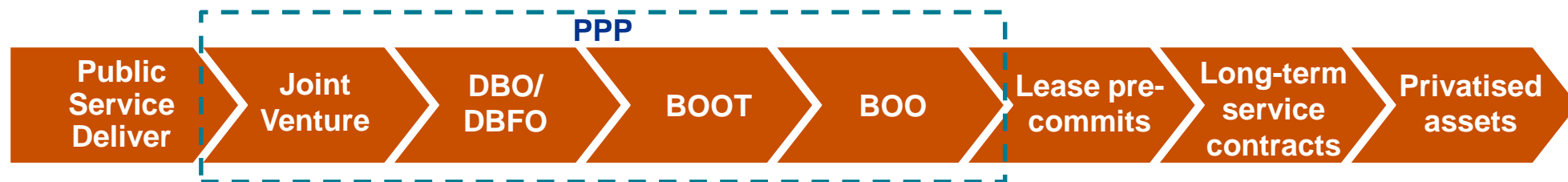
\$8 trillion Asia infrastructure
investment needs
**\$730 billion p.a. on
average**

\$1 trillion to be
financed from private
sectors under **PPP**

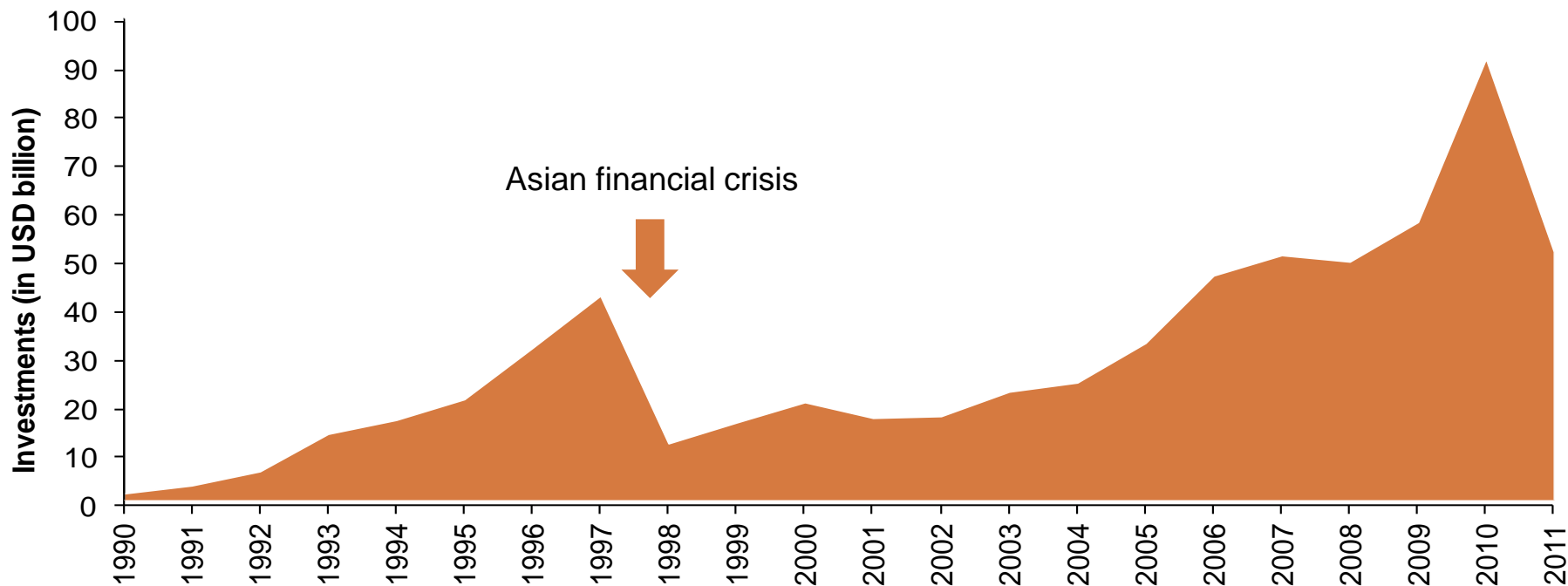
2010-2020



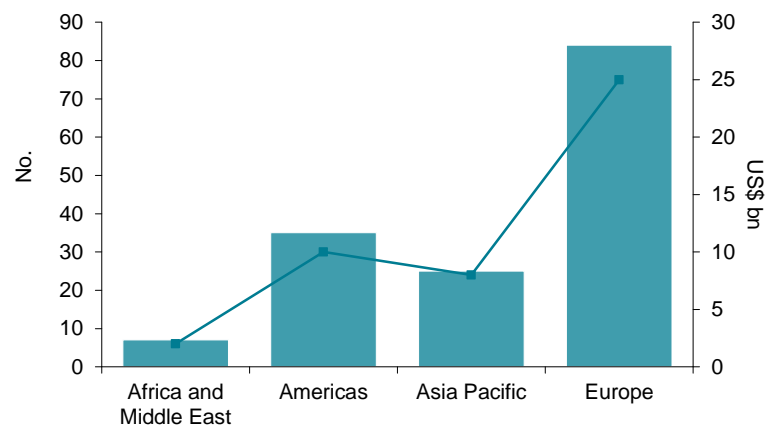
Spectrum of procurement methods: Public to private



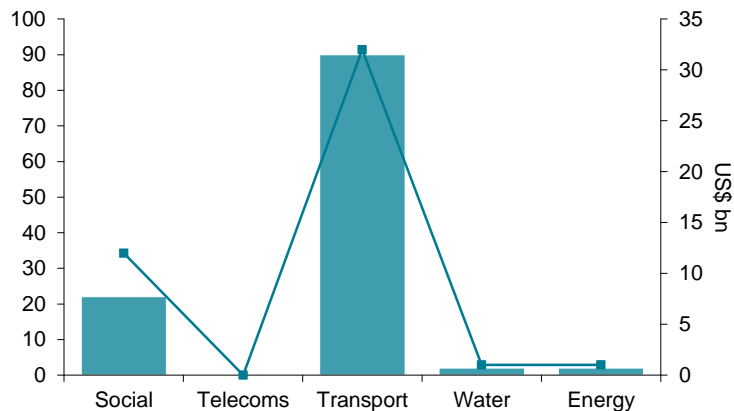
Investment commitments to infrastructure projects with private participation in Asia Pacific developing countries



By region

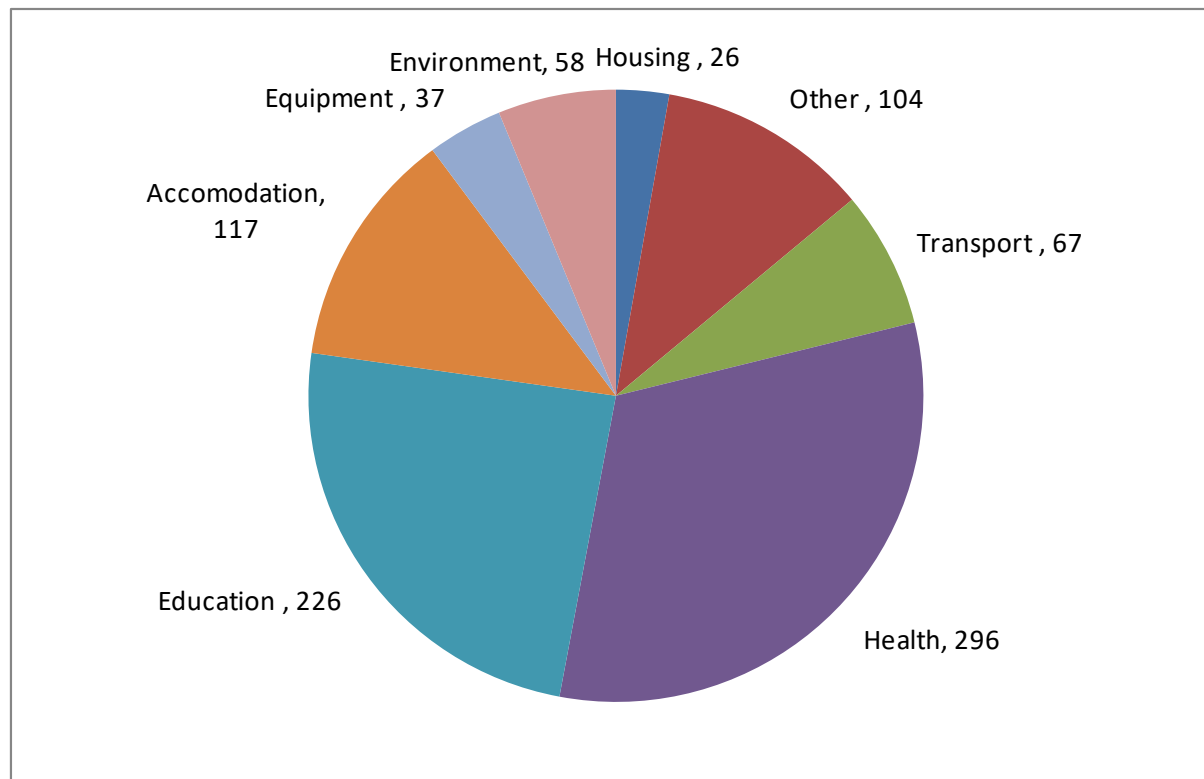


By sector



Legend





Education and Health accounts for over half of PPP projects in the UK

What is PPP?



- No single definition
- At its most basic level, it is like a lease for an asset, with guaranteed maintenance
- Key objectives and benefits
 - Accelerate delivery of infrastructure
 - Budgetary certainty over life of contract
 - Payments dependent on service and subject to rebate
 - Ensure assets maintained (risk to the private sector)
 - Focus on whole life services (serviced infrastructure) – not assets
 - Ensuring best value through transferring risk to the private sector
- PPP is one of several procurement routes – in the UK and Australia it accounts for 10-15% of public sector infrastructure development

Hard Infrastructure

Roads



Airports

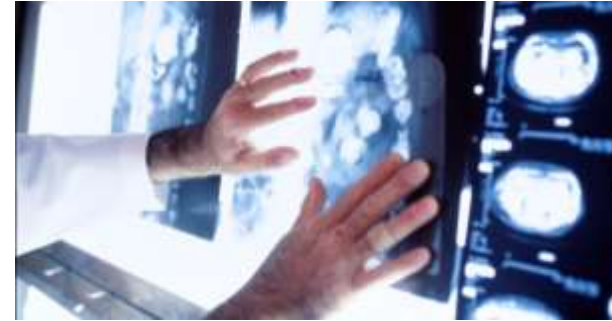


Rail



“Soft” infrastructure

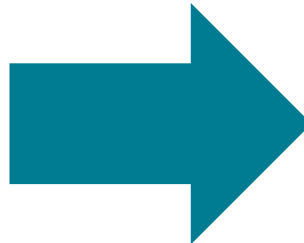
Healthcare

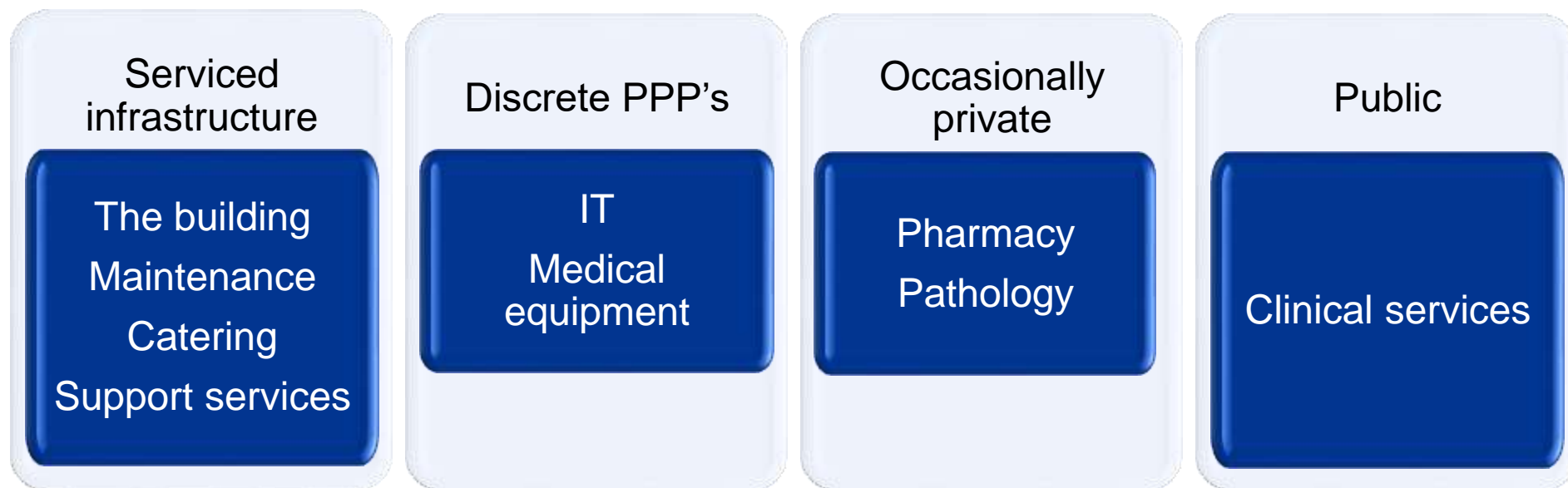


Education



Leisure & Sports





Private versus public

- Education (mainly schools) is a major component of the PFI programme:
 - approx. 225 projects signed;
 - total value approx. £10 billion.
- Individual school projects too small to be economic as a PPP
 - mostly for ‘grouped’ schools projects: can be 20 or more schools in one project

Case study: Jo Richardson Community School (JRCS)

- Jo Richardson Community School (JRCS) is a PFI secondary school and community centre
- It is the first new school to be built in over 40 years in Barking and Dagenham
 - Barking and Dagenham is one of the most deprived boroughs in London
- JRCS currently has 1300 students, from 11 to 18 years old
 - 80% of the students come from deprived backgrounds



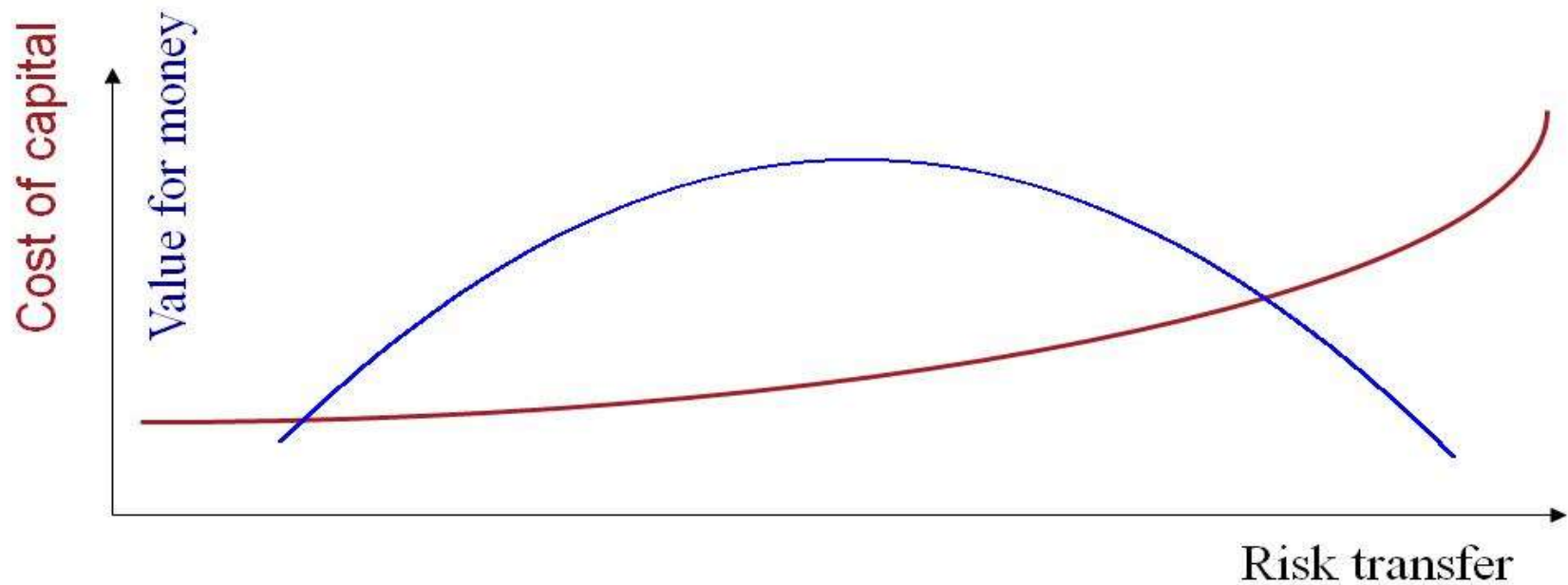
Asia versus Europe

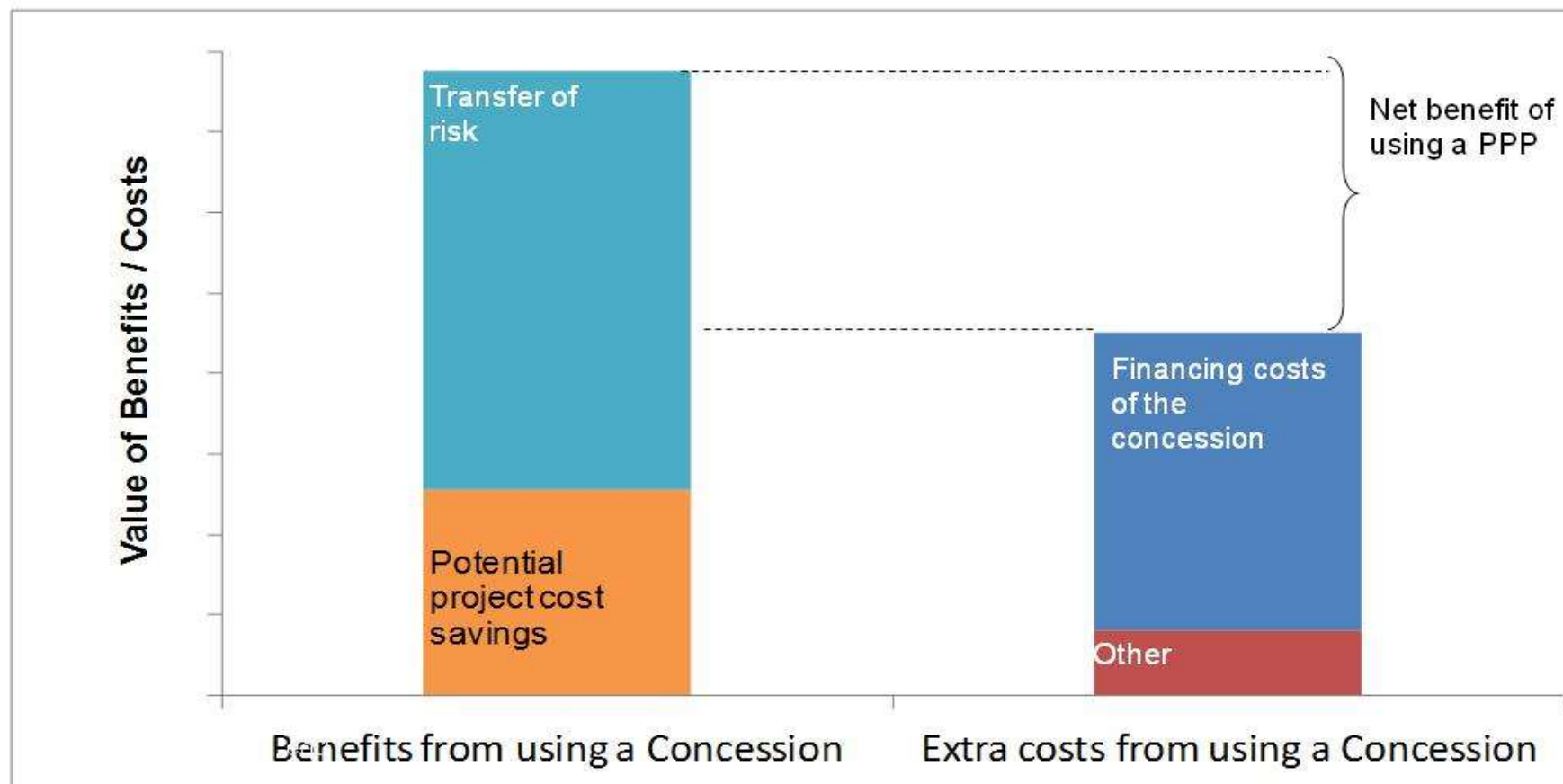
Nascent	Emerging	Developed	Mature
Mongolia	Bangladesh	Gujarat State	Australia
Papua New Guinea	China	India	
Vietnam	Indonesia	Japan	
	Kazakhstan	South Korea	
	Pakistan		
	Philippines		
	Thailand		

- It took Europe 20 years ...
 - To develop the institutions, legal frameworks, business strategies and capital market instruments for PPP markets
- Europe and Australia characterised by strong centralised Government responsible for Infrastructure
- Whilst lessons can be learnt from Europe and Australia, projects will need to be structured to meet the unique features of markets

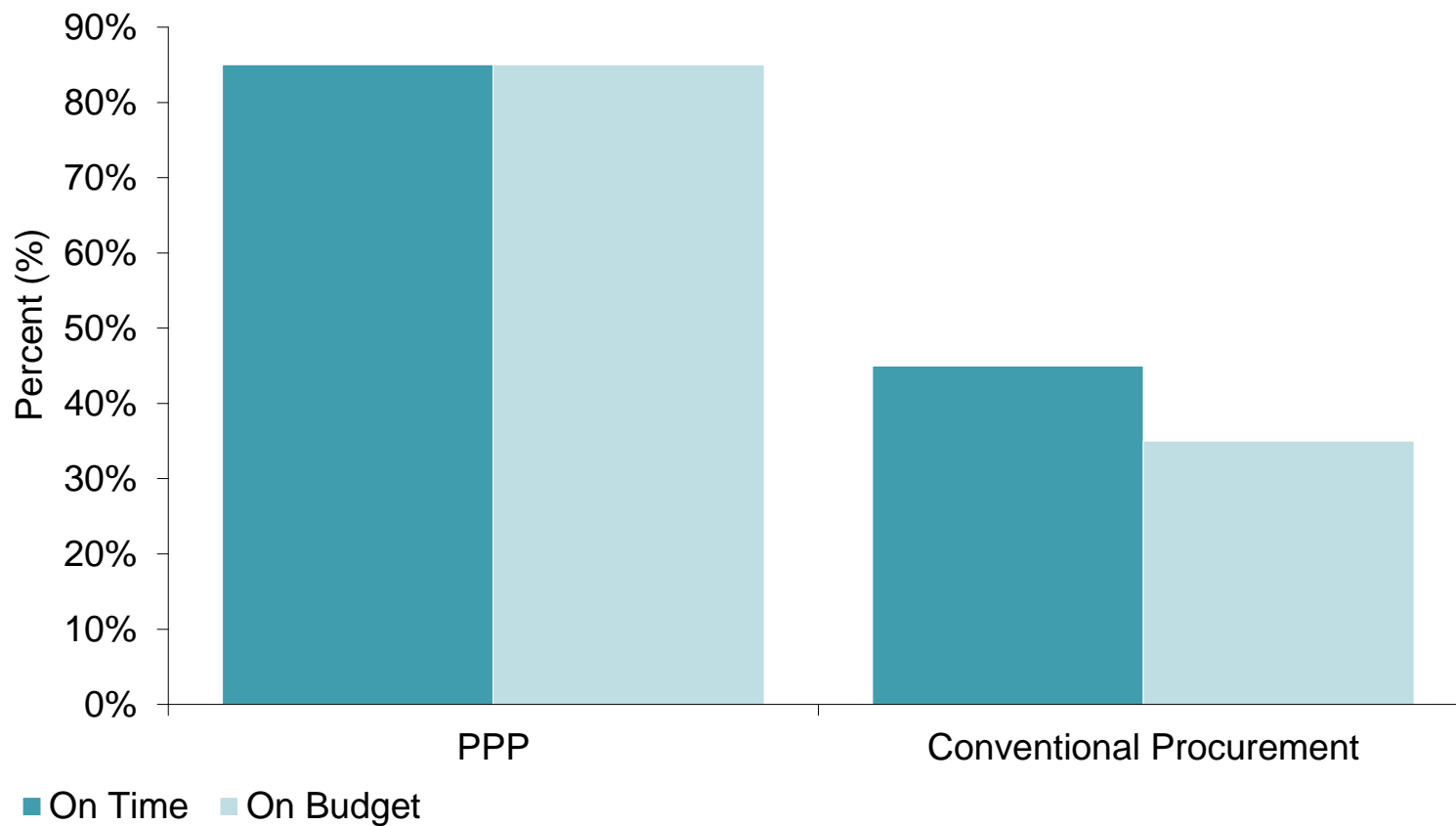
The background of the slide is an abstract, textured image. It features a palette with various colors of paint, including blue, red, orange, and yellow. A paintbrush is visible, with its handle and bristles. The overall effect is one of artistic creation and risk-taking.

Valuing risk





Delivery On Time and On Budget: UK PPP Market



Source: National Audit Office – UK Parliament – Expenditure Auditor

Conclusions

- Overseas: the fundamental drivers of PPP remain strong
 - Case for infrastructure investment to support competitiveness and growth
 - Required versus ‘affordable’ spend
 - But a gradual transition from bank to capital market
 - Refined approaches in the UK – “PF2”
 - Government equity and guarantees
 - “soft services” excluded
 - Major focus on credit guarantees – linked to project content
- Checklist for successful development:
 - Strong Government support;
 - Stable legal and regulatory framework;
 - Contractual framework must reflect the economics of the project; and
 - Project risks must be allocated rationally between parties



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Thank you

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