Brainstorming Workshop on Latest Developments in PPPs in Asia

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Overview

- PPPs in Asia – past, present and future
- Recent trends and developments for PPPs in Asia
- Summary of key challenges for PPPs in Asia
- Questions and Answers
PPP in Asia – past, present and future

- Past
  - Limited PPP experience with varying degrees of success
  - Bangkok Transit System
  - Hong Kong Cross Harbour Tunnel
    - Limited need for significant infrastructure development
    - Traditional procurement dominant
PPP in Asia – past, present and future

• Present
  – Asian jurisdictions with moderate significant PPP experience
    • Korea
    • Singapore
    • India
  – Infrastructure has reached a breaking point in many countries and there is insignificant domestic funding and liquidity to fund immediate infrastructure needs

• Future
  – Underdevelopment in infrastructure has hit a critical point in many Asian jurisdictions like Indonesia, India, the Philippines etc.
  – With the exception of some jurisdictions like India, there remains insufficient local liquidity to fund the huge infrastructure needs in these jurisdictions
  – PPPs have been studied extensively in most of these jurisdictions and the time is now ripe for implementation
  – Continuing concerns on the viability of PPP as a model for infrastructure development
Recent trends and developments for PPPs in Asia

**Established PPP jurisdictions**
- Korea
  - a domestic market seeking international investment
- Singapore
  - PPPs grinding to a halt after the Sports Hub
- India
  - Infrastructure needs remain significant but good government support including viability gap funding
  - largely domestic equity and debt driving the market
  - general liquidity and long term debt issues will come to the fore

**Developing PPP Jurisdictions**
- Vietnam
  - Decision No 71 / 2010 on Pilot Investments using the PPP model complimenting Decree 108 on BOT Projects
  - Criteria specified for developments under the model (project importance, revenue generation and technological innovation)
  - Key provisions include state contribution and investor capital specifications and incentives for investment (e.g. tax and import duty exemptions, choice of law, guarantee promises)
- Indonesia
  - Establishment of the IIGF (sovereign and sub-sovereign support) and IIFF (equity and financing investment)
  - Perpres 31 / 2010 demonstrates continuing strong political will
  - Continuing regulatory and procurement challenges (e.g. land acquisition)
Recent trends and developments for PPPs in Asia

**Developing PPP Jurisdictions**

- **Philipines**
  - The BOT Law of 2006 and the recent Executive Order No 8 (September 2010) establishing the new PPP Centre
  - Centralising coordination and control of PPP projects at the new PPP Centre under the DTI (National Economic and Development Authority)
  - Projects announced so far are in the transport sector (roads, light rail and airports) but investor appetite remains to be gauged
  - Project development support from Korea, Japan and Singapore

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Recent trends and developments for PPPs in Asia

**Developing PPP Jurisdictions**

- **Thailand**
  - New PPP law mooted to replace existing 1992 PPP law which has been unsuccessful in promoting PPPs
  - Proposed PPP law will also be a light touch legislation but its principle aim will be to centralise policy and implementation regimes and provide a one stop shop for project approvals
  - No certainty at present as to where the new centralised PPP committee will sit
  - Current political climate and upcoming elections still cloud the implementation of the proposed new regime
Recent trends and developments for PPPs in Asia

• Developing PPP Jurisdictions
  – Others
    • Mongolia - new Concession law (June 2010) awaiting implementation regulations - needs in power, water and transport sectors
    • Bangladesh - new PPP push by current Awami League government - implementation issues and political stability remain key road blocks
    • Taiwan - PPP push also mandated given current fiscal difficulties
    • Malaysia - new 3PU mandated to push PPPs to reach new ground but some investors still skeptical over what has been a relatively domestic market
    • Maldives, Mauritius and PPPs in paradise

Summary of key challenges for PPPs in Asia

• Transparency in procurement
• Under developed legal and regulatory frameworks
• Lack of knowledge and capacity within governments and procuring agencies
• Can the multilaterals move quickly enough?
• Viability gap funding
• The ultimate question is whether PPP as a method of procurement can move quickly enough given the infrastructure needs in the region.
Questions and Answers