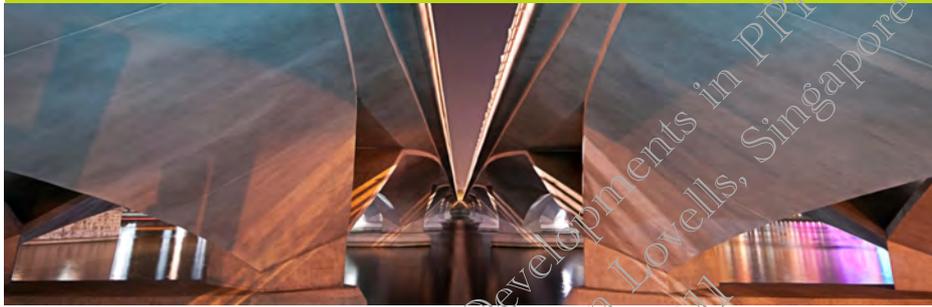


Brainstorming Workshop on Latest Developments in PPPs in Asia

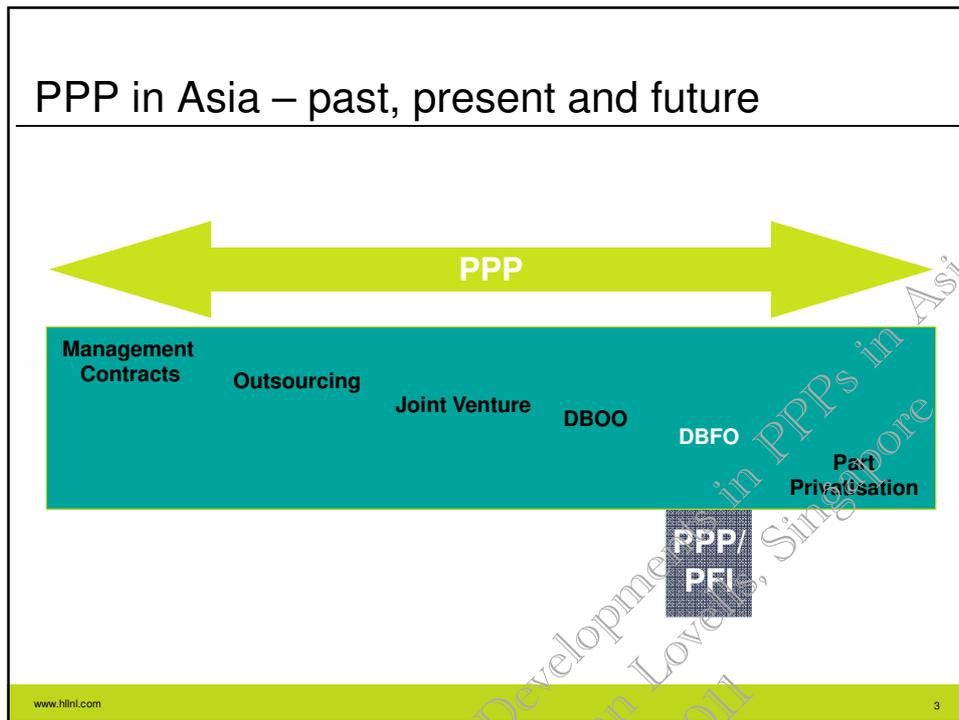
Alex Wong, Partner

17 March 2011



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
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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

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5

PPP in Asia – past, present and future

- 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

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6

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

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7

Recent trends and developments for PPPs in Asia

- 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)

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8

Recent trends and developments for PPPs in Asia

- Developing PPP Jurisdictions

- Philippines

- 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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9

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

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10

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

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11

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.

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12

Questions and Answers

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13

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