

Post-Crisis Growth and Poverty Reduction in Low-Income Asia

## **Experiences with Public-Private Partnerships**

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# Attractions of PPP

- On time / on budget delivery
- Efficient operating performance
- Supplement public sector capital

# Presentation Roadmap

- I. Framework for successful PPPs
- II. Big issues in financing PPPs

# I. Successful PPP Framework

- Public sector needs clear objectives
  - why PPP?
  - clearly stated
  - over long term
- Examples
  - value for money versus cost minimization
  - connectivity to network

# Key Success factors - continued

- PPP contracts long and the future is unknown
  - contract compliance (black and white)
  - collaboration (grey)
- Public sector must set frameworks and behaviors

# Key Success Factors - continued

## Public Sector

Framework →

Procurement →

Administration →



## Private Sector

← Scrutiny by lenders

← Scrutiny by sponsors

← Other experience

- Not win / lose
- Balance – enduring relationship
- Reduces optimism bias
- Better for large, complex projects

# Case studies – Australia<sup>1</sup>

	21 PPP Projects	33 Traditional Projects
Cost overruns	0/2%	15%
Completion	0/2%	24% late <sup>2</sup>

Note: 85% - 90% infrastructure in Australia Public Financed

1. Study conducted by Allen Consulting Group with University of Melbourne
2. Later than budgeted on a cost weighted basis

## II. Infrastructure – Financing PPPs

- Long life – long time frame for concessions
- Capital intensive
- Earns revenue in local currency
- Optimum financing – long term local currency



# PPP's: The ideal outcome

Banks



Pension Funds



Life & Health Insurance



0.....Maturities.....20/30+years

Equity markets  
Banking markets  
Bond markets  
Currency markets

Government bonds

PPP Financing

# PPP's – in the interim

- Efficiency benefits of PPPs available
  - lowest cost
  - on time delivery
  - efficient operation
- Financing not optimum
  - long term dong not available
  - exchange risk on foreign currency
  - Probably, maturity risks

# Interim measures

- Establish strength of public covenant
  - transparency
  - legal framework
  - commitment over time
- Establish best practice in structuring
  - ADB and World Bank expertise
  - APEC initiative

# Interim measures (continued)

- Work with private sector to understand terms and risks
  - ADB Infrastructure Initiative
  - APIP – public/private forum
- Work with IFI's to improve financing structures
  - exchange rate cover
  - refinancing cover
- Build domestic financial system and long term savings institutions
- “Asian Savings financing Asian Infrastructure”