

# Second Meeting of the Infrastructure Financing and Public-Private Partnership (PPP) Network of Asia and the Pacific

## Highlights of the Meeting

August 7-9, 2019

The Peninsula Manila, Makati City, Philippines

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- I. **Background.** Following the successful conduct of the first meeting of the Infrastructure Financing and PPP Network of Asia and the Pacific, the United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP), alongside the PPP Center of the Philippines (PPPCP) and the China PPP Center (CPPPC), organized the second network meeting. The meeting's key objectives were as follows:
1. To facilitate the exchange of experiences, disseminating knowledge, and building consensus regarding good practices on infrastructure financing through PPPs; and
  2. To advance the dialogue from the first network meeting and further engage the recommendations of network members on the role of this network.

## II. Highlights

### DAY 1 – AUGUST 7, 2019

#### Welcome Remarks

- Mr. Hongjoo Hahm, Deputy Executive Secretary of UNESCAP, welcomed the participants to the Second Meeting of the Infrastructure Financing and PPP Network of Asia and the Pacific. He opened that the Sustainable Development Goals (SDGs) or the 2030 Agenda can only be attained if the countries have infrastructures that are socially inclusive, environmentally friendly, and climate resilient. Thus, Clean, Green, and Cheap.

He added that the global financing for development agenda highlights sustainable infrastructure because not only it is paramount to achieving the SDGs, but it is also challenging. It is challenging as (1) it requires large financing and (2) PPP is complex, risky, and prone to corruption. He then recognized the challenges in developing PPPs: (1) developing good project pipelines and (2) risk sharing.

The Second Meeting, thus, aims to facilitate the exchange of knowledge and experiences among PPP experts in the region and build consensus regarding good practices on PPPs. This regional platform helps enhance the capacity of PPP units to develop PPP projects and other infrastructure financing strategies.

- Ms. Yang Jianmin, Deputy Director General of China PPP Center, remarked that infrastructure is not only a solid foundation, but is also a driver for socio-economic development. She shared that in China, information platform and project database have indispensable roles in PPP government, which are:
  1. Information dissemination,
  2. Transaction facilitation, and
  3. Knowledge sharing.
- Ms. Xiaoqin Fan, East Asia Department Director of Asian Development Bank (ADB), noted that PPPs are getting increasing interest from the government and the private sector as they help countries meet infrastructure needs in the face of budget constraints and offer multiple advantages over conventional public investment. She then shared ADB's efforts in supporting PPPs.

- In 2012, ADB developed its first PPP operational plan for 2012-2020 categorized in four areas: (1) advocacy and capacity development, (2) enabling environment, (3) project development, and (4) project financing.
  - In 2014, ADB established a dedicated PPP office to coordinate and support Bank-wide PPP operations and provide transaction advisory services to developing countries.
- Mr. Ferdinand Pecson, Undersecretary and Executive Director of PPPCP, shared that in the Philippines, infrastructure financing is tied to how components of a project are allocated between the government and the private sector. Earlier PPPs are financed entirely by the private sector. But in the hybrid approach for greenfield projects, the financing of construction and capital equipment is secured by government, while the financing of operations and maintenance is handled by the private sector. This approach is still evolving. The complexity of financing and availability of multiple sources like green finance, both on the government side and on the private sector side, are challenges that the PPPCP is seeing.

### **Session 1. Country Investment Climate: Rules and Regulations**

- Ms. Mia Mary G. Sebastian, Assistant Secretary and Deputy Executive Director of the PPPCP, explained that the Philippines has several mechanisms for financing infrastructure: government financing, government borrowing, and private financing. Since it has a growing fiscal space as well as improving credit condition, the Philippines can look for the optimal way to finance infrastructure such as tapping the private sector through PPPs.
- She then shared that one of the common factors of successful PPP projects is the utilization of the Project Development and Monitoring Facility or the PDMF. It is a revolving fund managed by the PPP Center that may be tapped to deploy and provide experts who can assist in the development and implementation of PPP projects.
- Mr. Stephen N. Karingi, Regional Integration and Trade Division Director of UNECA, opened that the Africa has the biggest infrastructure investment needs, with \$3.2 - \$3.7 trillion annual infrastructure investment needed to meet the SDGs by 2030. However, only 15% to 25% of Africa's GDP is invested on transport infrastructure compared with more than 40% in China.
- He then shared that majority of the African countries have PPP Framework either through laws, policies, procedures, institutions, rules, or regulations. Out of the fifteen (15) countries with most PPPs, only three (3) (Algeria, Côte d'Ivoire, South Africa) lack a law specifically for PPPs, but have sectoral laws. Only two (2) (Algeria, Côte d'Ivoire) lack a PPP Unit. Since 1990, Africa has invested an estimated \$98 billion in PPPs. An estimated number of 479 PPPs have been implemented in Africa, 409 of which are still active.
- Mr. Talgat Matayev, Chairman of the Board of Kazakhstan PPP Center, shared that Kazakhstan is the 9th largest country in the world and the largest economy in Central Asia, providing preferential access to a regional market of more than 500 million. He revealed that Kazakhstan began with only 3 PPP projects in 2015, but has increasing projects in the following years. By 2019, there are 548 projects in their pipeline. He also discussed the two legislations that govern PPP: (1) Law on concession in 2006 and (2) Law on PPP in 2015.

- Mr. Tashi Dorji Tangbi, Principal Engineer DMEA of Bhutan's Ministry of Finance, explained that in Bhutan, for any project to be successful, it has to be based on Gross National Happiness (GNH), which anchors on four (4) pillars: (1) Equitable and Inclusive Sustainable Socio-economic Development, (2) Preservation and Promotion of Culture, (3) Environmental Conservation, and (4) Good Governance. As to its PPP program, Bhutan is still in its infancy as its rules came out only in 2017.
- Ms. Novie Andriani, Acting Director for Financing Engineering of Indonesia's Ministry of National Development Planning, shared that in the next 5 years, Indonesia will need infrastructure investment of USD 429.7 billion, a 20% increase from USD 359.2 billion in 2015 to 2019. To achieve this, private sector participation is encouraged. Indonesia also established the Indonesia Infrastructure Guarantee Fund (IIGF), an institution that provides government guarantees for infrastructure PPP projects in the country. Currently, its PPP program covers nineteen (19) sectors, with 67 solicited projects and 16 unsolicited projects in the pipeline.

## **Session 2. The Public Sector: The Role of Governance and Institutional Arrangements in PPP Units and Related Infrastructure Departments**

- Mr. Tien Cuong Le, Public Private Partnership Official of Vietnam's Ministry of Planning and Investment, explained that the relevant laws and guidelines for PPPs were first issued in 2015. In 2018, Vietnam developed its PPP policy through Decree 63/2018/ND-CP. He also shared that Vietnam offers investment incentives and taxes for investors such as income tax, import and export tax incentives, among others.
- Mr. Najmus Sayadat, Director of Bangladesh's PPP Authority, shared that there are two major forms of management strategies employed in PPP: (1) process/network/relationship management strategies and (2) project/contract management strategies. The former refers to sharing of goals, risks, and resources among the partners, while the latter focuses on policy design goals, budget, time, premiums, and contract provisions. He also cited the land port PPP as an example, and how the management strategies were applied.
- Mr. Tolym Adepkhan, Executive Director of Kazakhstan PPP Center, discussed Kazakhstan's new policy on PPPs transitioning from quantity to quality. Selection process of projects is changed. Support for the projects are categorized into three: full, partial, and no compensation of expenses. Given this policy, the trendline of PPPs in Kazakhstan decreased significantly in 2019. Kazakhstan is also now focusing on the project's people-orientedness and correlation to other projects aside from its cost effectiveness and benefit to state budget. In June 2019, Kazakhstan also recently adopted the B+B concept, the concept of updating the form of Private financial initiative (PFI) in PPP projects to support small medium-sized enterprises (SMEs) of Kazakhstan.
- Mr. Johannes Shipepe, Chief Economist, Project Appraisal Division of Namibia's PPP Unit, shared that Namibia is still working on its PPP process, having more experience in traditional procurement. Namibia's PPP unit was only established in 2015, and its PPP policy in 2017. Thus, the process of identification, screening, and approval of projects (including PPPs) is still quite fragmented. The challenge also is to integrate PPPs into the government's overall investment strategy and budget cycle. Nevertheless, Namibia has made progress by developing project appraisal guidelines for development budget projects and building better collaboration during budget process between the PPP Unit and National Planning Commission.

### Session 3. Pipeline and Pilot Project Demonstration – Part 1

*The speakers talked about the project details of notable PPP project/s in their country.*

Speaker	Project
H.E. Vongsy Sam, Head of PPP Unit, Central PPP Unit, Ministry of Economy and Finance, Cambodia	Sihanoukville Cruise Terminal – Design, finance, construct, operate and maintain the old jetty along with associated tourism facilities under a Build-Operate-Transfer model over a 30-year concession period.
Mr. Farid Arif Wibowo, Subdirector of Government Support Approval, Directorate General of Budget Financing and Risk Management, Ministry of Finance, Indonesia	Bandar Lampung Water Project – Build, operate, and transfer Bulk Water Supply system to cater 60,000 households new connection (300,000 person) in 8 sub districts for 25 years (plus 2 years for construction).
Mr. Tien Cuong Le, Official, Public Private Partnership, Public Procurement Agency, Ministry of Planning and Investment, Viet Nam	E-Government Procurement PPP Project – E-government procurement system with features such as: e-bidding, Information portal and user management system.
Mr. Md Faruque Ahmed, Director General, Public Private Partnership Authority, Bangladesh	Hemodialysis Centre at National Institute of Kidney Disease and Urology – Supply, operate, maintain and transfer dialysis facilities which shall provide a total sessions of around 20,000 sessions per year for a period of 10 years.
Mr. Johannes Shipepe, Chief Economist, Project Appraisal Division, PPP Unit, Namibia	Ministry of Justice Office Redevelopment Project – Develop a functional, modern head office space for the MoJ to accommodate ~600 staff members at a single location for a period of 25 years
Mr. Jose Dos Reis Francisco Abel, Senior Advisor, PPP and Loan Unit, Ministry of Finance, Timor-Leste	Timor-Leste Health Diagnostics PPP – Build/rehabilitate-operate-and-transfer project to finance, refurbish, equip, operate and maintain Lab and Imaging Centers and provide quality diagnostic services to patients in Timor Leste for a period of 11 years.
Mr. Vivencio B. Dizon, President and Chief Executive Officer, Philippine Bases Conversion and Development Authority (BCDA)	Clark International Airport (CIA) Expansion Project – Build-and-transfer project that involves the construction of a new Passenger Terminal Building (PTB) of the CIA, with a design capacity of 8 million passengers per annum (MPPA).
Mr. Fogapoa Samoa, Assistance CEO, PPP and Privatization Division, Ministry of Public Enterprises, Samoa	Landfill Site Management DBFOM PPP Project – Design, build, finance, maintain and operate Samoa Disposal and Landfill Site management for 20 years.

#### Session 4. Pipeline and Pilot Project Demonstration - Part 2

*The speakers talked about the project details of notable PPP project/s in their country.*

Speaker	Project
Mr. Norbu Dendup, Chief, Investment and Corporate Governance Division, DMEA, Ministry of Finance, Bhutan	Thimphu Integrated Bus Terminal – Finance, design, construct, operate, and maintain Thimphu Integrated Bus Terminal for a period of 30 years.
Mr. Manoj Kumar Madholia, Deputy Director PPP, Department of Economic Affairs, Ministry of Finance, India	Jaipur-Kishangarh National Highway Project – Widening of existing 2-lane to 6-lane divided carriageway facility including rehabilitation of existing 2-lane on Jaipur-Kishangarh section of NH-8 in Rajasthan, India on Build Operate Transfer (BOT) basis for 20 years.
Mr. Umid Abidhadjaev, Head of Infrastructure Project Analysis Group, Ministry of Economy and Industry, Uzbekistan	Tashguzar-Baysun-Kumkurgan (TBK) Rail connection – Mr. Abidhadjaev discussed the impact evaluation study of the TBK rail connection. Based on the study, it showed positive impact far beyond the actual regions of the rail line, reinforcing the hypothesis of spillover effects added.
Mr. R.S. Kandage, Lead Transaction Advisor, National Agency for PPP, Ministry of Finance, Sri Lanka	Pooneryn Renewable Energy Park Project – An energy park with solar and wind resources for renewable energy generation.
Mr. Isfandiyor Usmonzoda, Director, State Enterprise PPP Center under the State Committee on Investment and State Property Management, Tajikistan	Electronic Payment and Travel Control System in Public Transport of the Dushanbe City – Electronic payment system in public transport vehicles in the city of Dushanbe

#### DAY 2 – AUGUST 8, 2019

#### Session 5. Role of the Infrastructure Financing and PPP Network and Future Modalities

- Ms. Tientip Subhanij, Chief, Financing for Development Section, MPFD, UNESCAP, noted that:
  - The purpose of the network is threefold: capacity-building, knowledge sharing, and platform for dialogue.
  - In furtherance of forging partnerships, the network's ways forward are (i) technical structuring, such as official appointment of focal points from member states' PPP units and development of a Web Portal, and (ii) principal structuring, which refers to future modalities of the network and engagement of the private sector as a key player in development and implementation of infrastructure projects.

- Mr. Stephen N. Karingi, Director, Regional Integration and Trade Division, UNECA, added that publication of information, such as project information, transaction, policy and legal frameworks, in the Web Portal will help standardize PPP operations and procedures, promote better understanding of business environment, and, thus, foster regional connectivity.
- Mr. Eleazar E. Ricote, Assistant Secretary and Deputy Executive Director, PPPCP, discussed that the Network will serve as a regular avenue wherein the member states can discuss commonalities, challenges, and specific sectors that are evolving in their respective countries. Through knowledge impartations, the member states can learn from each other and identify specific areas that they can work on as a Network.
- Mr. Vongsy Sam, Head of PPP Unit, Central PPP Unit, Ministry of Economy and Finance, Cambodia, remarked that having more robust pipeline projects will incentivize and attract investors to participate in the market. It would also be helpful to have a mapping of countries in order to capture similarities in frameworks, policies, and systems, among others.
- Mr. Fogapoa Samoa, Assistance CEO, PPP and Privatization Division, Ministry of Public Enterprises, Samoa, noted that information plays a vital role in developing complete and successful PPP projects, considering that there are different PPP policies and frameworks across the globe.
- Mr. Jiafu Yuan, Vice President, China Overseas Infrastructure Development and Investment Corporation, shared that the business model, which will serve as incubator for global infrastructure projects, has three dimensions, namely: (i) legal preparation, which includes negotiation and signing legal documents, (ii) technical preparation, which involves technical and economic feasibility assessment, and (iii) financing preparation, which covers commencement of implementation.
- Mr. Eddie Hu, Chief Representative, Chong Sing FinTech, Malaysia, recommended to open the projects to foreign players and encourage private sector participation. The objective of private sector is simple and straightforward: to make positive financial returns.
- Mr. Simon Mak, Chief Executive Officer, Ascent Partners Group Limited, Hong Kong, added that the objectives of the network are (i) sharing of best practice, (ii) networking by means of marketing and business development, and (iii) research and development, which involves enhancement of existing knowledge. Furthermore, the Network aims to build trust, project pooling, and securitization.
- Mr. Adam Cotter, Director and Head of Asia, Official Monetary and Financial Institutions Forum, highlighted that there is a need to strengthen international correlation of public authorities as well as the compact of both public and private sectors.

#### **Session 6. Web Portal Platform and Project Pipeline**

- Mr. Daniel Lin, Financing for Development, UNESCAP, presented that the purpose of the Portal is to provide a region-wide platform for consultative exchange of knowledge resources, information on PPPs, institutions, project pipelines, market environments, capacity building events, and latest updates.
- Mr. Xie Fei, Director of Information Management Department, China PPP Center, noted that development of a platform will cultivate knowledge exchange on lessons learned and best practices. He proposed that each member state have its own account in the Web

Portal, which will contain project pipeline, policy information, and update project information as necessary.

- Mr. Sushil Bhatta, Member, National Planning Commission, Nepal, shared that the PPP initiatives to address the usual constraints in projects are (i) legal and policy reform such as enactment of PPP Act, (ii) institutional setup with one stop solution, and (iii) setting up of National Project Bank at National Planning Commission.
- Ms. Feroisa Francisca T. Concordia, Director, PPPCP, introduced the web-based Project Information and Management System (PIMS), which aims to establish a project management tool for all PPP projects in the Philippines. PIMS will contain latest project information for easier tracking of the project's progress. Furthermore, the objectives of PIMS are (i) timely delivery of PPP projects, (ii) establish accountability, and (iii) ensure transparency on progression of PPP projects.
- Mr. Sam Tang, Advisor, World Green Organisation, Hong Kong, remarked that addressing information gaps through knowledge sharing and open communication will not only benefit the private sector but also the public sector. Such initiative will build public sector's confidence in undertaking projects since there is already available information at hand.
- Mr. Bo An, Public Management Specialist, Public Management, Financial Sector and Regional Cooperation Division, East Asia Department, Asian Development Bank, noted that the platform can be utilized especially in the early stages of the project, since it is a project support system linking stakeholders, and thereby attracting potential private investors.

#### **Session 7. Innovative Financing**

- Mr. Francis Nicolas M. Chua, First Vice President and Head, Development Bank of the Philippines (DBP), shared that DBP, as the country's infrastructure bank, uses blended finance to fund sustainable growth and increase capital leverage where development funds and philanthropic funds are used to attract private capital into the development deals like PPP projects. Additionally, such transactions are expected to achieve positive financial returns and promote the level of the borrower and country as a whole; and risks can be managed to realize returns in line with market expectations capitalizing private funds to development projects.
- Mr. Ihda Muktiyanto, Deputy Director, Directorate of Syariah Financing, Ministry of Finance, Indonesia, shared that there's a financing gap as regards the funding needs vis-à-vis available resources to support climate change activities. To narrow the gap, green *sukuk*, will be used to finance or refinance green projects that contribute to climate change mitigation and adaptation.
- Ms. Grimi Guarico, Trade Commissioner-Climate Finance, Embassy of Canada, discussed that:
  - Canada believes in innovate financing and opportunity to use official development assistance (ODA) to leverage financing from the private sector in order to achieve sustainable development goals (SDGs), considering its engagement in financing sustainable issues, including partnering with multilateral development banks.
  - Canada made contributions for the creation of Convergence, which is a non-profit institution dedicated to building and accelerating the blended finance market. Its objective is to make the SDGs investible in developing countries through blended finance.
  - Canadian Climate Fund for the Private Sector in Asia II (CFPS II) is an ADB-managed trust fund to support private sector climate change and gender equality in developing

countries in the Asia and the Pacific. To qualify for CFPS II fund, proposed projects should be aligned with CFPS II eligibility and post concessional financing criteria. Since it is being managed by ADB, all the regulatory and necessary review is being done by ADB, and it was structured as such when the agreement was signed.

- Mr. Eetu Kuneinen, President of Eurasia Continental Fintech Limited, called for the need to encourage big players with successful profiles to invest in projects, considering that emergence of new technologies requires additional funding and other financing methods.
- Mr. William Yu, Chief Executive Officer, World Green Organisation, noted that the government, as the insurer of last resort, faces economic losses, which are not covered by traditional insurance, when natural disasters happen. In order to address such threats, resilience bonds will link insurance premiums to resilience projects in order to monetize avoided losses through a rebate structure.
- Ms. Xin Yi Lau, Senior Policy Research Analyst (Sustainability), Singapore Institute of international Affairs, shared that in Singapore's landscape, the role of the infrastructure office is a one-stop platform to promote collaboration on regional infrastructure and bring capital projects together.
- Ms. Aileen R. Zarate, Senior Investment Officer, International Finance Corporation under the World Bank Group, presented that there is USD 23 trillion investment opportunity for climate in emerging markets that needs to be financed by 2030. This entails a large effort to mobilize capital since the government can engage the private sector. However, the capacity to mobilize capital at envisioned levels remains constrained and the barriers are many such as the following: maturity mismatch of the funds and project needs, lack of scale, lack of venture capital for equity investment, policy uncertainty, and standards and transparency. Green finance instruments help to address some of these barriers and speed up the transition.

#### **Session 8. Private Sector Engagement**

- Ms. Tientip Subhanij, Chief, Financing for Development Section, MPFD, UNESCAP, presented that the significant decline in the private sector involvement in infrastructure development prompted fiscal deficit. In closing the infrastructure financing gap, innovative arrangements come into play to attract private finance.
- Mr. Michael Rodriguez, Managing Director, Macquarie Infrastructure Advisory Philippines, remarked that the private sector has the financial resources to fund projects; hence, lack of finance is not really the problem but lack of bankable projects. Additionally, in order to engage the private sector, the public partner shall ensure clarity, transparency, and consistency in transactions.
- Mr. Simon Mak, Chief Executive Officer, Ascent Partners Group Limited, shared that from the private sector's view, PPP project looks like a financial instrument as it involves government guarantee, profit entitlement, bond component value, convertible option value, buy back option value.
- Mr. William Yu, Chief Executive Officer, World Green Organisation, discussed that communities need a new approach to accelerate investment in infrastructure that is resilient to growing climate pressures. The new concept is to build green infrastructure, which will mimic natural processes to reduce stormwater while delivering other environmental, social, and economic benefits. Moreover, demonstrating a strong resilience benefit is likely to




attract more private investors. Climate-minded investors, which in addition to risk-return characteristics, will also consider the environmental benefit of investment opportunities

- Mr. Eddie Hu, Chief Representative, Chong Sing FinTech, remarked that failures happen due to wrong selection of private sector partner to carry out the work. He added that the public sector partners with the private sector to (i) come up with more innovative ways and designs, (ii) ensure quality finishes, (iii) improve cost efficiency as some changes introduced by the private sector require a lot of funding, and (iv) complete projects timely. Furthermore, key issues identified are lengthy negotiation, regulatory framework, resource challenge, and financing.
- Mr. Sam Tang, Advisor, World Green Organisation, explained that in the infrastructure space, the government plays a critical role; meanwhile, the private equity players like to collaborate with the government because the latter has the most of the capital.
- Mr. Lihao Wei, Vice President, Shanghai Jumbo Consulting Co., discussed that the private sector prefers low risk and stable returns. He stressed on the importance of risk allocation to ensure that there is an equitable sharing of risks and thereby encourage the private sector involvement in PPP projects. He also presented that the ways to address the concerns of private sector are (i) market sounding to provide relevant information on the project and ensure that the same is attractive to investors, and (ii) integrated information platform as a media for closing transactions.

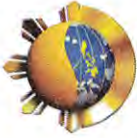
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REPUBLIC OF THE PHILIPPINES  
PUBLIC-PRIVATE PARTNERSHIP  
CENTER

MEMORANDUM

FOR: **FERDINAND A. PECSON**  
Executive Director

THRU: **ELEAZAR E. RICOTE**  
Deputy Executive Director

**MIA MARY G. SEBASTIAN**  
Deputy Executive Director

FROM: **FEROISA FRANCISCA T. CONCORDIA**  
Director, Capacity Building and Knowledge Management Service

SUBJECT: **Highlights of the Second Meeting of the Infrastructure Financing and Public-Private Partnership (PPP) Network of Asia and the Pacific**

DATE: September 11, 2019

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On behalf of the core team, this is to respectfully transmit the attached highlights of the *Second Meeting of the Infrastructure Financing and PPP Network of Asia and the Pacific*, a United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP)-led event, in cooperation with the PPP Center of the Philippines and China PPP Center, held last August 7-9, 2019 at the Peninsula Manila, Makati City.

The presentation materials were also uploaded in our official website at [https://ppp.gov.ph/ppp\\_events/second-meeting-of-the-infrastructure-financing-and-public-private-partnership-network-of-asia-and-the-pacific/](https://ppp.gov.ph/ppp_events/second-meeting-of-the-infrastructure-financing-and-public-private-partnership-network-of-asia-and-the-pacific/)

For your reference please. Thank you.