



# Technical Assistance Report

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Project Number: 48350-001  
Regional—Capacity Development Technical Assistance (R-CDTA)  
June 2015

## Infrastructure Public–Private Partnership Pipeline Development Support (Financed by the People’s Republic of China Regional Cooperation and Poverty Reduction Fund)

This document is being disclosed to the public in accordance with ADB's Public Communications Policy 2011.

**Asian Development Bank**

## ABBREVIATIONS

ADB	–	Asian Development Bank
DMC	–	developing member country
PPP	–	public–private partnership
PRC	–	People’s Republic of China
RETA	–	regional technical assistance
TA	–	technical assistance

## NOTE

In this report, "\$" refers to US dollars.

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## CAPACITY DEVELOPMENT TECHNICAL ASSISTANCE AT A GLANCE

<b>1. Basic Data</b>		<b>Project Number: 48350-001</b>	
<b>Project Name</b>	Infrastructure Public-Private Partnership Pipeline Development Support	<b>Department /Division</b>	OPPP/OPPP
<b>Country Borrower</b>	REG not applicable	<b>Executing Agency</b>	Asian Development Bank
<b>2. Sector</b>	<b>Subsector(s)</b>	<b>Financing (\$ million)</b>	
✓ Public sector management	Public administration		0.75
		<b>Total</b>	<b>0.75</b>
<b>3. Strategic Agenda</b>	<b>Subcomponents</b>	<b>Climate Change Information</b>	
Inclusive economic growth (IEG)	Pillar 1: Economic opportunities, including jobs, created and expanded	Climate Change impact on the Project	Low
Environmentally sustainable growth (ESG)	Global and regional transboundary environmental concerns		
Regional integration (RCI)	Pillar 3: Money and finance		
<b>4. Drivers of Change</b>	<b>Components</b>	<b>Gender Equity and Mainstreaming</b>	
Governance and capacity development (GCD)	Client relations, network, and partnership development to partnership driver of change	No gender elements (NGE)	✓
Knowledge solutions (KNS)	Knowledge sharing activities		
Partnerships (PAR)	Implementation		
Private sector development (PSD)	Private Sector Promotion of private sector investment		
<b>5. Poverty Targeting</b>		<b>Location Impact</b>	
Project directly targets poverty	No	Not Applicable	
<b>6. TA Category:</b>	B		
<b>7. Safeguard Categorization</b>	Not Applicable		
<b>8. Financing</b>			
<b>Modality and Sources</b>		<b>Amount (\$ million)</b>	
<b>ADB</b>		<b>0.00</b>	
None		0.00	
<b>Cofinancing</b>		<b>0.75</b>	
Regional Coop. & Poverty Reduction Fund		0.75	
<b>Counterpart</b>		<b>0.00</b>	
None		0.00	
<b>Total</b>		<b>0.75</b>	
<b>9. Effective Development Cooperation</b>			
Use of country procurement systems		Yes	
Use of country public financial management systems		Yes	



## I. INTRODUCTION

1. Promoting pro-poor growth and enhancing human and social development of the poor requires affordable and reliable access to infrastructure facilities and services. The need for increased investments in infrastructure, particularly those for regional connectivity that help countries to reach regional and international markets, and for making infrastructure management and maintenance more effective for the poor is widely recognized.

2. Adequate investment in infrastructure is crucial to promoting further growth of the Asia-Pacific region, spreading the fruit of economic developments and raising the living standards of people in the region. Given the region's huge infrastructure needs, mobilizing private sector investments is important. Governments have a key role to play in promoting an enabling environment for private investment. Making this right will enable the region's vast savings to be efficiently channeled to fund its own investment needs, thus helping the region to realize its full growth potential and lifting millions out of poverty.

3. Public-private partnerships (PPPs) have the potential for the Asian Development Bank (ADB) to provide leverage and thought leadership. Under its Public-Private Partnership Operational Plan, ADB addresses PPP development holistically across four pillars: (i) advocacy, (ii) enabling environment, (iii) project development, and (iv) project financing. Under pillars 1 and 2, ADB is helping its developing member countries (DMCs) develop PPP policy and institutional frameworks and providing PPP project-related support. Accordingly, ADB is in the unique position to help advance its DMCs' knowledge on PPPs, apply recognized PPP principles and processes, and realize more PPP projects.

4. The regional capacity development technical assistance (R-CDTA or TA) will help developing countries better prepare infrastructure projects, particularly for projects that promote regional or sub-regional connectivity, that can secure private sector financing and proceed to implementation. The TA will support government implementing agencies during the preparatory due diligence stage to enable them to identify and prepare infrastructure projects that would qualify to access funding from international or national project preparation facilities<sup>1</sup> for further preparation and structuring as PPP. The TA will target developing countries in Asia and the Pacific, with priority to Asia-Pacific Economic Cooperation (APEC) economies. The TA first appeared in the business opportunities section of ADB's website on April 29, 2015.

## II. ISSUES

5. The Asia and Pacific region requires infrastructure investment of at least \$8 trillion until 2020. Traditional sources of infrastructure finance are strained. Public budgets are overstretched, with little room for additional spending on infrastructure. Debt markets are retreating as banks, particularly those in Europe, which used to play a leading role in structured finance, are still recovering from the global financial crisis and adjusting to tighter regulatory requirements, including Basle III. Multilateral development banks (MDBs), including the World

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<sup>1</sup> The G-20 report on project preparation facilities (PPF) defined it to include entities whose main activity is project preparation and formal sources of finance such as trust funds that are used to prepare projects. PPFs may be country specific or regional, can have a range of institutional arrangements and cover both publicly and privately financed public infrastructure. In practice, some PPFs are involved in only some project preparation activities and many PPFs undertake other activities in addition to project preparation. For the purpose of this TA, PPFs will only mean those facilities that support preparation of PPP projects such as ADB's Asia Pacific Project Preparation Facility.

Bank and ADB, will have limited capital to fill the gap. Overseas development assistance has played a relatively modest role, having provided only 2.5-3% of total investments in infrastructure. Developing country capital markets lack the depth and breadth to provide the kind of long-term financing required for infrastructure. The bleak outlook for traditional financing means that governments must consider alternative financing models to leverage private capital.

6. With developing countries in the region facing a huge shortfall in investments and its negative consequences on economic growth, measures are urgently needed to meet the additional funding requirements. Countries have three principal options: (i) review traditional sources of funds and explore additional funding from them; (ii) investigate mechanisms for generating more resources from off-budget sources; and (iii) consider a greater role for PPPs as a way to procure infrastructure, and identify and address impediments to the development of PPP transactions. But while the advantages of PPPs have long been recognized, many countries are still experiencing difficulties in its implementation.

7. According to Preqin (a well-known research and consultancy firm that provides data on private equity, real estate, hedge funds and infrastructure funds and other alternative investments), over \$200 billion of capital has been raised globally by private equity fund managers for strategies dedicated to infrastructure investments. The bulk of capital in these funds is from long-term investors such as pension funds and life-insurance companies. Infrastructure investments generally provide asset-liability matching, stable, inflation-linked returns, and a relatively lower risk profile compared to equities.

8. A dearth of well-structured, viable investment opportunities remains the common explanation for the fact that a significant amount of capital in these funds remains uninvested. There is no lack of private-sector capital or commercial debt available to finance well-prepared projects with a later stage risk profile. The real problem is that the cycle that sees infrastructure projects become infrastructure assets has a gap in terms of adequacy and quality of investment preparation and early-stage investment and development. Hence, the increasing need to mobilize and better coordinate project preparation resources to develop bankable PPP projects.

9. The Asia Pacific Economic Cooperation (APEC) in its roadmap for supporting PPPs<sup>2</sup> recognized that PPP projects need to be well-prepared and structured before they are brought to the market. Adequate due-diligence and preparation of technical, legal, financial, economic, environmental and social issues are necessary for government to assess trade-offs and select an optimal structure for the transaction that is attractive to potential private investors. To improve project readiness, it is useful for governments to develop a checklist and an administrative system that could indicate whether a project is ready to be brought out to the market. Management capacity in the government, particularly in contracting agencies, needs to be further developed to more effectively and efficiently bring projects forward to completion. For markets at an early stage of development, delivering a few good examples of successful PPP projects within a reasonable time, rather than focusing on quantity of projects, is a most effective strategy for attracting investors.

10. At the Development Roundtable on Project Preparation hosted by ADB's Sustainable Infrastructure Division of the Regional and Sustainable Development Department in Manila in December 2013, attendees from the African Development Bank, Inter-american Development Bank, World Bank Group, European Bank for Reconstruction and Development and ADB agreed to partner with the Sustainable Infrastructure Foundation (SIF) of Switzerland to

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<sup>2</sup> [http://www.apec.org/Meeting-Papers/Ministerial-Statements/Finance/2014\\_finance/annexa.aspx](http://www.apec.org/Meeting-Papers/Ministerial-Statements/Finance/2014_finance/annexa.aspx)



collaborate and take a pilot initiative that had started with ADB's R-CDTA 7379 and make it global and scaled. The initiative, the International Infrastructure Support System (IISS), is now an IT platform providing public sector agencies sector-specific infrastructure project preparation templates in a secure, multi-user standardized online workspace. The Public-Private Infrastructure Advisory Facility (PPIAF) has provided grant support to SIF. MDB partners provide inputs and strategic oversight through SIF's Advisory Committee and also support for IISS training and use. As a web-based workspace and tool, IISS' design also integrates knowledge products from MDBs, such as the PPP Reference Guide, into the project preparation templates used by DMCs and their advisors or consultants, when preparing projects. The IISS enables DMCs to better manage their project teams and make better use of the significant knowledge products that the MDBs have developed.

### III. THE CAPACITY DEVELOPMENT TECHNICAL ASSISTANCE

#### A. Impact and Outcome

11. The impact will be increased supply of commercially viable infrastructure projects, particularly those for regional connectivity, through PPP approaches. The overall outcome will be an increased capacity of developing countries to prepare, structure, negotiate, and implement PPP projects. This will be measured by the number of ADB DMCs successfully applying for PPP assistance for the development of PPP projects.

#### B. Methodology and Key Activities

12. The TA will provide capacity development support to DMCs that will be selected for assistance under this TA to enable them to apply for and capably secure funding from project preparation facilities. The support provided under this TA will not be subject to cost recovery. To achieve its outcome, the TA will deliver two outputs: (i) strengthened capacity of government implementing agencies to undertake earliest-stage evaluation, prioritization and development of potentially viable PPP projects, and (ii) increased use of International Infrastructure Support System platform<sup>3</sup> for project preparation.

13. The TA will have two components.

- (i) **Component 1: Provide support for diagnostics application to project preparation facilities.** The TA will support the DMC government implementing agencies in various aspects of PPP development such as project appraisal, risk assessment and risk sharing, bidding process, legal implications of PPP contracts, monitoring and management of project implementation. The criteria for choosing projects to be supported by the TA will be established in accordance with the ADB PPP Operational Plan and the relevant country partnership strategy. Projects with regional cooperation and integration components in APEC developing economies will be given priority. Lessons learned during project preparation will be compiled and regional and subregional knowledge sharing events will be design to disseminate these findings.

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<sup>3</sup> ADB developed International Infrastructure Support System as an innovative web-based secure and collaborative global project preparation platform to help provide best practices through sector/sub-sector-based project preparation templates (accessed through a secure multi-user online platform).

- (ii) **Component 2: Provide project preparation support through the use of International Infrastructure Support System Platform.** The TA will support DMC government implementing agencies in using the International Infrastructure Support System (IISS) platform to preparing their projects to help increase the agencies' likelihood of developing well-structured projects that will attract private sector investors and contractors and increase public sector financing options, including PPPs.

14. The assumptions and risks for this TA can be grouped into two related categories. The category of risk is whether DMCs attach sufficient high priority to PPPs. There is an increasing acknowledgement of the added value PPP can bring to bridge the infrastructure gap. The main risk for TA success is whether DMCs are willing to follow through to make PPPs happen and are prepared to initiate a comprehensive restructuring of laws, policies and frameworks. The second category of assumptions and risks relates to institutional and organizational capacity in participating DMCs. The TA aims to build capacity but will only possible if there is sufficient willingness to adjust institutional structures, mandates and budget to support the shift needed to make PPPs successful.

### C. Cost and Financing

15. The TA is estimated to cost \$750,000, which will be financed on a grant basis by People's Republic of China Regional Cooperation and Poverty Reduction Fund and administered by ADB. Participating DMC will provide counterpart support in the form of counterpart staff, office space, land transportation and other in-kind contributions. Details of the cost estimates and financing plan are in Appendix 2. The support provided under this TA will not be subject to cost recovery.

### D. Implementation Arrangements

16. ADB, through the OPPP, will be the executing agency of the TA and will be responsible for overall management and monitoring of activities. OPPP will coordinate activities with ADB regional departments (through the PPP Focals) and resident missions. Confirmation of no objection will be obtained from DMCs before any activities financed by the TA commence in DMCs.

17. The TA will be implemented over 24 months commencing 1 July 2015 and ending 1 August 2017. It will require 3 international consultants and 2 national consultants on intermittent basis for the duration of the regional TA. Consultants will be recruited individually using quality- and cost-based selection. Consultants will be recruited in accordance with ADB's *Guidelines on the Use of Consultants* (2013, as amended from time to time)<sup>4</sup>. All TA proceeds will be disbursed in accordance with the ADB *Technical Assistance Disbursement Handbook* (May 2010, as amended from time to time). An overview of the consultant terms of reference is provided in Appendix 3.

18. The TA consultant team will regularly document TA progress, challenges encountered, and solutions proposed over the implementation period. Updates on TA progress and outcomes will be provided to ADB's PPP Thematic Group for further dissemination within ADB.

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<sup>4</sup> Output-based (lump sum) contracts will be considered when hiring consultants.

#### **IV. THE PRESIDENT'S DECISION**

19. The President, acting under the authority delegated by the Board, has approved ADB administering technical assistance not exceeding the equivalent of \$750,000 to be financed on a grant basis by the People's Republic of China Regional Cooperation and Poverty Reduction Fund for Infrastructure Public–Private Partnership Pipeline Development Support, and hereby reports this action to the Board.

## DESIGN AND MONITORING FRAMEWORK

Design Summary	Performance Targets/Indicators	Data Sources/Reporting Mechanisms	Assumptions and Risks
<p><b>Impact</b></p> <p>Increased supply of commercially viable infrastructure projects in DMCs</p>	<p>Increased number of infrastructure project with private sector investment (average number of projects with private sector investment for the last 3 years – 2012-2014)</p>	<p>PPP Unit/MOF data and project pipeline, websites tracking PPP development in the region</p>	<p><b>Assumption</b></p> <p>Growing commitment in DMCs to tap private sector capital and expertise for infrastructure projects through PPP approaches</p> <p><b>Risk</b></p> <p>Lack of political will to implement infrastructure projects using PPP scheme</p>
<p><b>Outcome</b></p> <p>Capacity of developing countries to prepare, structure, negotiate, and implement PPP projects is increased</p>	<p>Increased numbers of PPP projects in pipeline by 2017</p> <p>Increased numbers of PPP projects successfully brought to a close from the pipeline by 2017</p>	<p>PPP Unit/MOF data and project pipeline, websites tracking PPP development in the region</p>	<p><b>Assumption</b></p> <p>DMC governments committed to applying the knowledge gained from the capacity development programs</p> <p><b>Risk</b></p> <p>Inadequate institutional and organizational capacity to effect necessary changes in project preparation policies</p>
<p><b>Output</b></p> <p>1. Strengthened capacity of government implementing agencies in conducting diagnostics application to project preparation facilities.</p> <p>2. Increased use of International Infrastructure Support System platform for project preparation</p>	<p>Number of government agencies trained in various aspects of PPP</p> <p>Number of projects prepared using International Infrastructure Support System platform.</p>	<p>PPP Unit/MOF data, websites tracking PPP development in the region</p>	<p><b>Assumption</b></p> <p>Governments acknowledge ADB as a relevant partner in pushing their PPP agenda</p>
<p><b>Activities with Milestones</b></p> <p><b>Component 1: Provide support for diagnostics application to project preparation facilities</b></p>			<p><b>Inputs</b></p> <ul style="list-style-type: none"> <li>• People's Republic of China Regional</li> </ul>

Design Summary	Performance Targets/Indicators	Data Sources/Reporting Mechanisms	Assumptions and Risks
<p>1.1 Establish criteria in choosing the projects to be supported (July 2015).  1.2 Prepare detailed outline of the analytical work and engagement of consultants (August 2015).  1.3 Design and conduct of capacity development programs by the consultants (October 2015 – November 2016).  1.4 Conduct knowledge sharing activities to disseminate lessons learned from the projects supported by the TA (November 2016 – January 2017).</p> <p><b>Component 2: Project preparation through the use of International Infrastructure Support System Platform</b></p> <p>2.1 Prepare detailed outline of work and engagement of consultants (July 2015).  2.2 Prepare the project using International Infrastructure Systems Support platform (October 2015 – January 2017).  2.3 Prepare of a report compiling lessons learned during project preparation using International Infrastructure Support System (April 2017).</p>			<p>Cooperation and Poverty Reduction Fund (PRCF): \$750,000</p> <ul style="list-style-type: none"> <li>• ADB Staff</li> <li>• Consulting inputs</li> </ul> <p>Note:  Government will provide counterpart support in the form of staff, office space, land transportation and other in-kind contribution.</p>

ADB= Asian Development Bank, MOF = Ministry of Finance, PPP = public-private partnership, PRCF = People's Republic of China Poverty Reduction and Regional Cooperation Fund.

Source: Asian Development Bank.

**COST ESTIMATES AND FINANCING PLAN**  
(\$'000)

<b>Item</b>	<b>Total Cost</b>
<b>People's Republic of China Regional Cooperation and Poverty Reduction Fund<sup>a</sup></b>	
1. Consultants and Resource Persons	
i. Renumeration, Honorariums and Per Diem	470.0
2. Training, Seminars, and Conferences <sup>b</sup>	150.0
3. Miscellaneous Administration and Support Costs <sup>c</sup>	50.0
4. Contingencies	80.0
<b>TOTAL</b>	<b>750.0</b>

<sup>a</sup> Administered by the Asian Development Bank.

<sup>b</sup> This category includes international and local travel cost for ADB staff and Consultants as resource persons.

<sup>c</sup> Printing, translation, communication.

Source: Asian Development Bank estimates.

## OUTLINE TERMS OF REFERENCE FOR CONSULTANTS

1. A range of consultancy inputs will be needed to supplement the core staff inputs. This translates to the retention of some international and national consultants on long-term support roles. Short-term consultant inputs are also likely to be required for a range of technical tasks.
2. The TA will require the services of experts in PPP project selection, prioritization, and structuring. Some of the key tasks consultants will undertake are outlined below.

### **Component 1: Preparation support for diagnostics application to project preparation facilities**

3. **Public–Private Partnership Specialist** (1 international consultant, 8 person-months intermittent). The consultant will have at least 10 years of relevant professional experience in a developing and developed country context including hands-on experience in preparing infrastructure projects. The expert will support the recipient DMCs in the following areas:

- (i) Project appraisal
- (ii) Risk assessment and risk sharing
- (iii) Procurement processes
- (iv) Understanding and managing legal implications of PPP contracts
- (v) Monitoring and management of project implementation
- (vi) Applying and securing support for PPP project preparation activities
- (vii) Design knowledge sharing events to disseminate lessons learned.

4. **Legal Public–Private Partnership Specialist** (1 international consultant, 8 person-months intermittent). The consultant shall have 10 years of relevant experience in PPP. The consultant shall review the legal and procurement environment affecting infrastructure projects undertaken through PPPs, and advise on needed interventions to enhance existing legal framework. The consultant shall carry out the following tasks:

- (i) Review of legal environment for PPPs and design of necessary interventions as appropriate in relevant DMCs.
- (ii) Review of procurement issues and propose necessary interventions in relevant DMCs.
- (iii) Provide legal inputs in the design of capacity development programs for DMC officials.
- (iv) Prepare other reports, as needed.

5. **Public–Private Partnership Expert** (1 national consultant, 10 person-months intermittent). The consultant shall have 8 years of relevant experience in PPP. The consultant shall assist ADB in providing support to Pillars 1 and 2 activities such as preparation of advocacy and capacity development programs and interventions to strengthening enabling environment for PPPs. The national consultant shall support the International PPP Specialist. The consultant shall carry out the following tasks:

- (i) Provide technical and administrative support to the international consultants
- (ii) Prepare monitoring and progress reports
- (iii) Organize knowledge sharing events to disseminate lessons learned;
- (iv) Compile lessons learned during the course of providing project development support to recipient DMCs; and

- (v) Create and manage TA database and records.

**Component 2: Project preparation support through the use of International Infrastructure Support System platform**

6. **Infrastructure Project Preparation Specialist** (1 international consultant, 8 person-months intermittent). The consultant shall have 10 years of relevant experience in preparing infrastructure projects. The consultant will assist the recipient developing countries to prepare their projects using the International Infrastructure Support System platform. Specifically:

- (i) Support developing countries in preparing project documents using the International Infrastructure Support System templates;
- (ii) Provide training to government staff on the use of International Infrastructure Support System;
- (iii) Provide inputs on improving the design of the International Infrastructure Support System platform; and
- (iv) Prepare monitoring and progress reports.

7. **Public–Private Partnership Coordinator** (1 national consultant, 12 person-months intermittent). The consultant will have at least 5 years of professional relevant experience. Familiarity with PPPs will be desirable. He or she will have a university degree in Business Administration, Finance, Economics, or other related fields. The consultant will:

- (i) Support the international experts during the process of preparing project documents using the International Infrastructure Support System templates;
- (ii) Provide administrative and technical support during the conduct of training on International Infrastructure Support System;
- (iii) Assist in the provision of inputs on improving the design of the International Infrastructure Support System platform; and
- (iv) Assist in the preparation of monitoring and progress reports.