



Report and Recommendation of the President to the Board of Directors

Project Number: 45929
July 2012

Proposed Equity Investment Philippine Investment Alliance for Infrastructure Fund (Philippines)

In accordance with ADB's public communication policy (PCP 2011) this abbreviated version of the RRP excludes confidential information and ADB's assessment of project and transaction risk as well as other information referred to in paragraph 97 of the PCP.

CURRENCY EQUIVALENTS

(as of 2 July 2012)

Currency unit	–	peso/s (P)
P1.00	=	\$0.0237
\$1.00	=	P41.875

ABBREVIATIONS

ADB	–	Asian Development Bank
APG	–	Algemene Pensioen Groep
CPS	–	country partnership strategy
ESMS	–	environmental and social management system
GSIS	–	Government Service Insurance System
MIRA	–	Macquarie Infrastructure and Real Assets
PEF	–	private equity fund
PINAI	–	Philippine Investment Alliance for Infrastructure
PPP	–	public–private partnership

NOTE

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

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PROJECT AT A GLANCE

1. Project Name: Philippine Investment Alliance for Infrastructure Fund		2. Project Number: 45929	
3. Country: Philippines		4. Department/Division: Private Sector Operations Department / Capital Markets & Financial Sectors Division	
5. Sector Classification:			
	Sectors	Primary	Subsectors
	Finance	√	Finance sector development; Investment Funds
6. Thematic Classification:			
	Themes	Primary	Subthemes
	Private sector development	√	Private sector investment Public-private partnerships
	Economic growth	√	Economic opportunities Widening access to markets
6a. Climate Change Impact:		6b. Gender Mainstreaming:	
Adaptation		Gender equity theme	
Mitigation		Effective gender mainstreaming	
Not applicable	√	Some gender benefits	
		No gender benefits	√
7. Targeting Classification:		8. Location Impact:	
	Targeted Intervention		
	Geographic dimensions of inclusive growth	Millennium development goals	Income poverty at household level
General Intervention			
√			
9. Nonsovereign Operation Risk Rating : Not applicable (N/A)			
10. Safeguard Categorization:			
	Environment	FI	
	Involuntary resettlement	FI	
	Indigenous peoples	FI	
11. ADB Financing:			
	Sovereign/Nonsovereign	Modality	Source
	Nonsovereign	Equity	OCR
			Amount (\$ million)
			Philippine peso equivalent as of the subscription date of up to \$25,000,000
12. Cofinancing: N/A			
	Financier	Category	Amount (\$ million)
	Total		
13. Counterpart Financing: N/A			
14. Aid Effectiveness: N/A			

I. THE PROPOSAL

1. I submit for your approval the following report and recommendation on a proposed equity investment of the Philippine peso equivalent, as of the subscription date, of up to \$25,000,000 in the Philippine Investment Alliance for Infrastructure (PINAI) Fund, not to exceed 25% of the fund's total capital commitments and not resulting in the Asian Development Bank (ADB) being the single largest investor in the fund.

II. THE FUND

A. Investment Identification and Description

2. The PINAI Fund is a private equity fund (PEF) to be capitalized at up to the Philippine peso equivalent of \$625 million, which will invest in core infrastructure assets in the Philippines. It will be managed by Macquarie Infrastructure and Real Assets (MIRA), a global infrastructure asset manager, through a management vehicle wholly owned by Macquarie Group. ADB will invest alongside (i) Government Service Insurance System (GSIS), the Philippines' state-owned pension fund for government employees; (ii) Algemene Pensioen Groep (APG) of the Netherlands, a pension fund asset manager; and (iii) Macquarie Group.

3. Unlike ADB's previous PEF investments, where it has played a largely passive role by investing in existing funding vehicles, ADB played an early part in helping conceptualize the development of the PINAI Fund and guiding its design, incubation, mobilization of capital commitments, fund manager selection process, negotiation of terms, and structuring.

4. The fund concept arose from efforts by the Government of the Philippines to find ways to catalyze private sector investment in infrastructure. Decades of low public and private spending in the area have left the Philippines with extremely poor infrastructure, even when compared with its development peers. Improving this infrastructure through more efficient public spending and by fostering transparently processed and well-managed public-private partnership (PPP) projects is a top government priority under the Philippines Development Plan, 2010–2016.¹ The plan expects 12% of the country's infrastructure investment needs, or about \$14.3 billion over the period, to come from the private sector.² This is projected to include investments in new (greenfield) infrastructure projects and in the expansion and rehabilitation of existing (brownfield) PPP projects. The infrastructure investment landscape in the Philippines is benefiting from improvements to the legal and regulatory framework governing PPPs—particularly through amendments to the country's build-operate-transfer law³—as well as from availability of sufficient budget to fund the government's share in PPP projects and preparation of bankable PPP projects for bidding.⁴

5. Since 2003, the Philippines has maintained a current account surplus largely due to strong growth in remittances from its overseas workers.⁵ However, equity capital available domestically is constrained and does not meet the level required to meet the country's growing infrastructure investment demand. Consulting firm McKinsey has estimated that over the next 10 years, only the People's Republic of China and Malaysia will have domestic private capital markets deep enough to meet their infrastructure funding requirements on their own.⁶

¹ Government of the Philippines, National Economic and Development Authority. 2011. *Philippines Development Plan, 2011–2016*. Manila.

² Data provided by ADB's Philippines Country Office.

³ Republic Act No. 6957 was adopted in 1990 and subsequently amended in 1994 under Republic Act No. 7718.

⁴ Sector Overview (accessible from the list of linked documents in Appendix 2).

⁵ In 2003–2011, the current account surplus was on average 3.2% of GDP. Source: ADB Statistical Database.

⁶ N. Tahilyani et al. 2011. Asia's \$1 trillion infrastructure opportunity. *McKinsey Quarterly*. March. p. 2. http://www.mckinseyquarterly.com/Asias_1_trillion_infrastructure_opportunity_2765

6. Both the large domestic conglomerates and the smaller developers in the Philippines are prioritizing investments in greenfield PPP projects. These provide higher returns, but also carry construction and completion risks, which these investors seem willing to accept. However, because most of these investors have their equity committed to existing infrastructure assets, they are keen to recycle their capital in preparation for the imminent rollout of the greenfield PPP projects.

7. At the same time, a growing number of the world's institutional investors are looking to invest in brownfield projects that no longer have construction and completion risks but can provide stable, high-quality, inflation-hedged, long-term cash flows that match the long-tailed liabilities of institutional portfolios.⁷ This is particularly true of Philippine and foreign pension funds, whose liabilities are inherently long-term.

8. This has created a situation in the Philippines in which (i) imminent infrastructure opportunities are in need of equity capital; (ii) domestic capital is tied to existing, stable infrastructure assets; and (iii) institutional investors (particularly pension funds) are keen on investing in de-risked infrastructure assets (with potential for expansion or improvements in capacity and utilization). Combined, these factors create a market gap that is primed for financial intermediation.

9. To fill this market gap, respond to the government's request for help in developing infrastructure financing solutions, and foster Philippine capital market development, ADB proposed a PEF structure in the form of the PINAI Fund.⁸ [This information was deemed confidential according to exception no. 97(iv) and 97(v) of ADB's Public Communications Policy.]

10. The proposal was well-received by the government and welcomed by GSIS, a government-owned pension fund, as a way to deploy significant equity capital of at least \$300 million into stable, long-term infrastructure assets. However, because GSIS had never invested in PEFs before, GSIS indicated that it was highly reliant on ADB's equity participation and guidance through the fund establishment process, including the selection of an appropriate fund manager.

11. In October 2011, ADB and GSIS began evaluating prospective fund managers that had the capacity to undertake the role under terms acceptable to the investors. After a rigorous, multistage selection process, ADB and GSIS selected MIRA as the fund manager in April 2012, judging it to be the most capable among the interested candidates of establishing and managing a first-time PEF dedicated to core infrastructure investments in the Philippines. [This information was deemed confidential according to exception no. 97(iv) and 97(v) of ADB's Public Communications Policy.]

⁷ S. Grene. 2012. If you want a trophy asset, you have to pay. *Financial Times*. 19 February. <http://www.ft.com/intl/cms/s/0/27579180-5893-11e1-b9c6-00144feabdc0.html#axzz1z9lxFw3Y>

⁸ Choice of the PEF followed consideration of several alternatives with a broad spectrum of products across the capital structure, guarantees, and transaction advisory services. These alternatives included the nonbanking financial institution model. However, none of the alternative financing models gained support at this time (particularly on issues related to their commercial viability and sustainability), given the still-maturing stage of the PPP project pipeline in the Philippines and ongoing PPP legal and regulatory reform. If successful, the PEF structure may lead to the emergence of the more comprehensive infrastructure financing mechanisms that were considered during the process.

B. Business Overview and Strategy

12. **Overview.** The PINAI Fund will provide equity and quasi-equity⁹ financing in core infrastructure assets in the Philippines. [This information was deemed confidential according to exception no. 97(iv) and 97(v) of ADB's Public Communications Policy.]

13. **Strategy.** [This information was deemed confidential according to exception no. 97(iv) and 97(v) of ADB's Public Communications Policy.]

14. **Deal sourcing.** MIRA will source opportunities for the fund through its well-established relationships with leading domestic developers and/or operators that are keen to partner with a knowledgeable and experienced global infrastructure owner and operator like MIRA. [This information was deemed confidential according to exception no. 97(iv) and 97(v) of ADB's Public Communications Policy.]

15. **Value addition.** MIRA will play an active role in all of the fund's investments, as it has done in its previous 47 funds. [This information was deemed confidential according to exception no. 97(iv) and 97(v) of ADB's Public Communications Policy.]

C. Ownership, Management, and Governance

1. Ownership

16. The PINAI Fund has a target size of the Philippine peso equivalent of up to \$625 million. [This information was deemed confidential according to exception no. 97(iv) and 97(v) of ADB's Public Communications Policy.]

17. [This information was deemed confidential according to exception no. 97(iv) and 97(v) of ADB's Public Communications Policy.]

18. [This information was deemed confidential according to exception no. 97(iv) and 97(v) of ADB's Public Communications Policy.]

2. Management

19. ADB and GSIS selected MIRA as the fund manager after a rigorous 6-month process. The fund manager mandate was presented to a group of 10 potential fund managers with established track records. Five expressed interest and made formal presentations to ADB and GSIS and three were selected to make further presentations. MIRA was chosen based on its institutional strength, deal execution capabilities, operating expertise, investment quality strategy, and competitive commercial terms.

20. MIRA is a division within Macquarie Funds Group, which is the dedicated asset management group within Macquarie Group. MIRA is the world's largest infrastructure fund manager and has been investing in infrastructure since its establishment in 1994. The firm has over \$97 billion of assets under management across 47 funds and 101 core infrastructure businesses. [This information was deemed confidential according to exception no. 97(iv) and 97(v) of ADB's Public Communications Policy.]

⁹ Quasi-equity financing (also known as mezzanine financing) involves a mix of debt and equity financing that provides for gains through capital appreciation and interest on debt repayment.

3. Governance Structure

21. MIRA will follow a four-stage investment process based on an approach developed and refined through its 18 years of infrastructure investing. [This information was deemed confidential according to exception no. 97(iv) and 97(v) of ADB's Public Communications Policy.]

22. [This information was deemed confidential according to exception no. 97(iv) and 97(v) of ADB's Public Communications Policy.]

D. Financial Performance

23. [This information was deemed confidential according to exception no. 97(iv) and 97(v) of ADB's Public Communications Policy.]

III. THE PROPOSED ADB ASSISTANCE

A. The Assistance

24. ADB will provide an equity investment of the Philippine peso equivalent, as of the subscription date, of up to \$25,000,000 in the PINAI Fund, not to exceed 25% of the fund's total capital commitments and not resulting in ADB being the single largest investor in the fund.

B. Implementation Arrangements

1. Exit Strategy

25. [This information was deemed confidential according to exception no. 97(iv) and 97(v) of ADB's Public Communications Policy.]

2. Reporting Arrangements

26. MIRA will provide ADB with (i) quarterly unaudited reports; (ii) semiannual unaudited reports; and (iii) audited annual reports, including financial statements, a fund overview, and an overview of the portfolio with brief information on each portfolio company's performance and valuation. ADB will review this information and will follow up with MIRA when more information or clarification is needed. If the information received from MIRA points to issues that could impair the value of ADB's investment in the PINAI Fund, ADB will decide whether to put the fund on a watch list for more frequent review and closer attention.

27. [This information was deemed confidential according to exception no. 97(iv) and 97(v) of ADB's Public Communications Policy.]

C. Value Added by ADB Assistance

28. **Catalyzing private investment.** ADB helped design and orchestrate the development of the PINAI Fund. By conceiving of and organizing a PEF for effective financial intermediation to help fill a market gap for private sector investment in Philippine infrastructure, ADB will catalyze up to \$625 million in capital. [This information was deemed confidential according to exception no. 97(iv) and 97(v) of ADB's Public Communications Policy.] It will also attract top-tier international partners to the Philippines, foster competition in domestic infrastructure finance, and establish a secondary market for well-performing infrastructure assets. Without ADB's assistance and participation, a fund of this kind with an efficient structure that would benefit the Philippines is unlikely to have materialized. The beneficial impact of ADB's involvement in the PINAI Fund is also greater than any amount of equity and debt that ADB would have contributed directly to infrastructure projects; private equity direct investments create a significantly higher

multiplier effect as new capital attracts additional investment and financing in underlying investments.

29. **Knowledge sharing.** [This information was deemed confidential according to exception no. 97(iv) and 97(v) of ADB's Public Communications Policy.]

30. **Raising governance and safeguard standards.** ADB's presence on the advisory committee will help ensure that the fund manager (and underlying assets in which the fund invests in) will observe the highest standards in corporate governance, as well as environmental and social safeguards.

D. Risks

31. **Deal pipeline and target fund size.** [This information was deemed confidential according to exception no. 97(iv) and 97(v) of ADB's Public Communications Policy.]

32. **Investment strategy.** [This information was deemed confidential according to exception no. 97(iv) and 97(v) of ADB's Public Communications Policy.] In addition, MIRA has an extensive track record of sourcing, structuring, creating value in, and profitably exiting from infrastructure investments. ADB is confident that MIRA has the sound judgment and expertise to properly evaluate opportunities and make prudent investment decisions.

33. **Fund management.** [This information was deemed confidential according to exception no. 97(iv) and 97(v) of ADB's Public Communications Policy.]

34. **Conflicts of interest.** [This information was deemed confidential according to exception no. 97(iv) and 97(v) of ADB's Public Communications Policy.]

35. **General risks.** The PINAI Fund will be subject to the risks associated with equity investments, including (i) political, economic, and social risks; (ii) legal and regulatory risks; (iii) exit and liquidity risks; (iv) accounting and disclosure risks; and (v) repatriation and tax risks.

IV. DEVELOPMENT IMPACT AND STRATEGIC ALIGNMENT

A. Development Impact, Outcome, and Outputs

36. **Impact.** Because PEFs are highly catalytic and offer investors a potentially high return by mobilizing new capital under a common investment theme, they are a popular way for development finance institutions to address gaps in capital markets. PEFs are very new to the Philippines. Forty-nine funds list the country as a geographic target, but 46 of these have a Southeast Asia regional focus, making the Philippines only one country competing among many for investments. The Philippines receives little from these funds. The remaining three funds have specifically targeted the Philippines market, but only one fund manager is based in the country and none concentrate on infrastructure.¹⁰ This will make the PINAI Fund the first PEF to focus exclusively on Philippine infrastructure opportunities. [This information was deemed confidential according to exception no. 97(iv) and 97(v) of ADB's Public Communications Policy.] It is anticipated that this will generate a development impact well beyond the initial investment by leading to the launching of additional PEFs in the country, attracting additional foreign capital, and further developing domestic capital markets. Increased private sector investment in infrastructure in the Philippines, moreover, is an additional development impact in itself.

¹⁰ Preqin. *Private Equity: Funds in Market*. <http://preqin.com> (accessed 1 April 2012).

37. **Outcome.** The outcome will be the demonstration of the viability of the PEF structure for infrastructure finance in the Philippines. [This information was deemed confidential according to exception no. 97(iv) and 97(v) of ADB's Public Communications Policy.]

38. **Output.** The output will be the establishment of and significant investments by the PINAI Fund. [This information was deemed confidential according to exception no. 97(iv) and 97(v) of ADB's Public Communications Policy.]

B. Alignment with ADB Strategy and Operations

1. Consistency with Strategy 2020 and Country Strategy

39. Support for the PINAI Fund is consistent with ADB's Strategy 2020, which identifies infrastructure and finance as two of the five core areas of operations where ADB will employ its financial and institutional resources to maximize results, efficiency, and impact.¹¹ Under Strategy 2020, ADB's operations aim to promote a larger role for the private sector to drive growth and to catalyze investments through, among other means, innovative financial instruments such as the fund.

40. In October 2011, ADB finalized its country partnership strategy (CPS), 2011–2016 for the Philippines. It is aligned with the government's own Philippine Development Plan, 2011–2016. The CPS makes infrastructure, which is one of the core operational areas under Strategy 2020, a top priority and recognizes that poor infrastructure has hindered inclusive growth in the country. The CPS calls for the "scaling up of transport and energy infrastructure" investments to improve the country's investment climate and expand private sector development.¹² It emphasizes support for PPP opportunities across private sector operations and states that the success of the PPP program is contingent on improving government policy, institutional reforms, and upgrading the investment climate overall.

41. The PINAI Fund is aligned with the CPS and supports the strategy's priority sectors.¹³ It is well-timed to capitalize on PPP opportunities, or the development of other critical non-PPP infrastructure, if and when they become available. ADB support for the PINAI Fund will build on previous ongoing public sector operations that focused on strengthening the Philippines' overall PPP environment by improving the legal and regulatory framework, building capacity in PPP-related institutions, and developing bankable projects.¹⁴ The fund will help achieve the CPS goal to orient private sector operations to government priorities via an investment focus that covers both (i) infrastructure finance, and (ii) "renewable energy and energy efficiency projects either through direct assistance or investments in private equity funds operating in the Philippines."

2. Consistency with Sector Strategy

42. ADB's *Financial Sector Operational Plan* states that the region needs to invest heavily in infrastructure to provide a favorable business environment and improve people's living standards.¹⁵ Because public sector resources are far from sufficient to meet the massive infrastructure financing needs of developing member countries, the plan calls for the

¹¹ ADB. 2008. *Strategy 2020: The Long-Term Strategic Framework of the Asian Development Bank, 2008–2020*. Manila.

¹² ADB. 2011. *Country Partnership Strategy: Philippines, 2011–2016*. Manila. p. 6.

¹³ Under the CPS, the five priority sectors are (i) transport, (ii) energy, (iii) education, (iv) agriculture and natural resources, and (v) water supply and other municipal infrastructure and services.

¹⁴ Capacity building and project development is supported through ADB. 2011. *Technical Assistance to the Republic of the Philippines for Strengthening Public–Private Partnerships in the Philippines*. Manila (TA 7796-PHI). The PPP reform agenda is supported through ADB. 2012. *Report and Recommendation of the President to the Board of Directors: Proposed Programmatic Approach and Policy-Based Loan to the Republic of the Philippines for Increasing Competitiveness for Inclusive Growth*. Manila.

¹⁵ ADB. 2011. *Financial Sector Operational Plan*. Manila. p. 20.

mobilization of long-term savings by developing capital markets and institutional investors—and specifically mentions domestic pension funds as a key source of capital.

43. The PINAI Fund will be consistent with the plan because, through effective financial intermediation, it (i) will provide financing for infrastructure, (ii) mobilize long-term capital, and (iii) develop domestic capital markets and institutional investors. [This information was deemed confidential according to exception no. 97(iv) and 97(v) of ADB's Public Communications Policy.]

3. Lessons from Previous Operations

44. ADB's prior investments in single-country infrastructure financing facilities were (i) a \$30 million equity investment in India's Infrastructure Development Finance Company in 1997, and (ii) a \$40 million equity investment in the Indonesian Infrastructure Financing Facility in 2009.¹⁶

45. Its experience with these investments made ADB acutely aware of the implementation risks related to capital deployment. In the case of India's Infrastructure Development Finance Company, capital deployment was delayed due to the government's lack of specialists needed to help create bankable projects. The Indonesian Infrastructure Financing Facility also suffered a delay. This was due to difficulties in recruiting and retaining the appropriate local senior management team, as well as legal and regulatory issues that affected the entire market.

46. ADB has learned from these experiences and has taken steps in structuring the fund to mitigate risk factors:

- (i) **Investment strategy.** [This information was deemed confidential according to exception no. 97(iv) and 97(v) of ADB's Public Communications Policy.]
- (ii) **Investment team.** Following a rigorous selection process, ADB, APG, and GSIS selected a top-tier global fund manager that specializes in PEFs and infrastructure asset management. The MIRA business model combines world-class investment banking capabilities with owner and/or operator expertise across all infrastructure classes that allows MIRA to draw upon infrastructure expertise from within its own ranks to improve existing assets.
- (iii) **Financial terms.** [This information was deemed confidential according to exception no. 97(iv) and 97(v) of ADB's Public Communications Policy.]

V. POLICY COMPLIANCE

A. Safeguards and Social Dimensions

47. The investment is classified category FI for impacts on the environment, involuntary resettlement, and indigenous peoples. The investment's potential environment and social impacts, its risks associated with the PINAI Fund's existing and/or likely future portfolio, and its commitment and capacity for environmental and social management, have been assessed. The fund will apply ADB's prohibited investment activities list, ensure that investments using ADB funds abide by applicable national laws and regulations and comply with ADB's Safeguard Policy Statement (2009), and establish an appropriate ESMS satisfactory to ADB before the first

¹⁶ADB. 1997. *Report and Recommendation of the President to the Board of Directors on a Proposed Equity Investment in Infrastructure Development Finance Company in India*. Manila; ADB. 2009. *Report and Recommendation of the President to the Board of Directors: Proposed Loan and Equity Investment to the Republic of Indonesia for the Indonesian Infrastructure Financing Facility Company Project*. Manila.

disbursement for the financing of investments and maintain it throughout.¹⁷ [This information was deemed confidential according to exception no. 97(iv) and 97(v) of ADB's Public Communications Policy.] The PINAI Fund will submit annual environmental and social performance reports to ADB, describing the status of ESMS implementation.

48. The PINAI Fund's ESMS will include arrangements to comply with national labor laws and ADB's Social Protection Strategy to ensure adherence to internationally recognized core labor standards, including provisions to prohibit any discrimination against women in hiring and to provide equal pay for men and women for equal work.¹⁸

B. Anticorruption Policy

49. MIRA was advised of ADB's policy of implementing best international practice relating to combating corruption, money laundering, and the financing of terrorism. ADB will ensure that the investment documentation includes appropriate provisions prohibiting corruption, money laundering, and the financing of terrorism, and remedies for ADB in the event of noncompliance.

C. Investment Limitations

50. The proposed transaction, once approved and signed, will increase ADB's projected nonsovereign exposure by March 2013 to \$9.4 billion. The proposed transaction will increase nonsovereign exposure to the Philippines to \$328.45 million, or 3.5% of total nonsovereign exposure, and increase nonsovereign exposure to private equity funds to \$804 million, or 8.6% of total nonsovereign exposure. The proposed equity investment is within the medium-term, country, industry, group, and single investment exposure limits for nonsovereign investments.

D. Assurances

51. Consistent with the Agreement Establishing the Asian Development Bank,¹⁹ the Government of the Philippines will be requested to confirm that it has no objection to the proposed assistance to the PINAI Fund. ADB will enter into suitable finance documentation, in form and substance satisfactory to ADB, following approval of the proposed assistance by the Board of Directors.

VI. RECOMMENDATION

52. I am satisfied that the proposed equity investment would comply with the Articles of Agreement of the Asian Development Bank (ADB) and, acting in the absence of the President, under the provisions of Article 35.1 of the Articles of Agreement of ADB, I recommend that the Board approve the equity investment of the Philippine peso equivalent, as of the subscription date, of up to \$25,000,000 in the Philippine Investment Alliance for Infrastructure (PINAI) Fund, not to exceed 25% of the fund's total capital commitments and not resulting in ADB being the single largest investor in the fund, from ADB's ordinary capital resources, with such terms and conditions as are substantially in accordance with those set forth in this report, and as may be reported to the Board.

9 July 2012

Bindu N. Lohani
Vice-President

¹⁷ Summary Poverty Reduction and Social Strategy; Safeguards and Social Dimensions Summary; Financial Intermediary: Environmental and Social Management System Arrangement (accessible from the list of linked documents in Appendix 2.)

¹⁸ ADB. 2003. *Social Protection*. Manila (adopted in 2001).

¹⁹ ADB. 1966. *Agreement Establishing the Asian Development Bank*. Manila.

DESIGN AND MONITORING FRAMEWORK

Design Summary	Performance Targets and/or Indicators with Baselines	Data Sources and/or Reporting Mechanisms	Assumptions and Risks
<p>Impacts</p> <p>Increased levels of infrastructure investment in the Philippines</p> <p>New private equity funds with exposure to infrastructure transactions created in the Philippines</p>	<p>Total private investment in infrastructure in the Philippines reaches 4% of gross domestic product on average during 2012–2025^a</p> <p>At least two other investment funds that either invest or co-invest in Philippine infrastructure assets are established during 2016–2025</p>	<p>ADB country partnership strategy, economic assessments, and World Bank Private Participation in Infrastructure database</p> <p>Preqin private equity industry database</p>	<p>Assumptions</p> <p>The PINAI Fund’s success catalyzes new private and public sector investment in infrastructure.</p> <p>Risks</p> <p>Infrastructure improves more slowly in the Philippines than in other countries.</p> <p>The regulatory environment related to infrastructure investing in the Philippines deteriorates.</p>
<p>Outcome</p> <p>The viability of private equity finance for infrastructure in the Philippines is demonstrated.</p>	<p>[This information was deemed confidential according to exception no. 97(iv) and 97(v) of ADB’s Public Communications Policy.]</p>	<p>[This information was deemed confidential according to exception no. 97(iv) and 97(v) of ADB’s Public Communications Policy.]</p>	<p>Assumptions</p> <p>The government maintains legal and regulatory frameworks that facilitate and uphold investments through increased competition for infrastructure projects.</p> <p>Third-party debt and other financing schemes are available to provide leverage for PINAI Fund investments.</p> <p>The Philippine economy remains relatively stable.</p> <p>Risk</p> <p>Investments in brownfield projects yield lower returns for the fund than anticipated.</p>
<p>Output</p> <p>The PINAI Fund is established and its capital is invested as planned.</p>	<p>[This information was deemed confidential according to exception no. 97(iv) and 97(v) of ADB’s Public Communications Policy.]</p> <p>The fund establishes an independent advisory committee by 2013 and prior to first disbursement.</p> <p>The fund establishes an ADB-approved ESMS to monitor compliance by investee projects or special purpose vehicles prior to first disbursement.</p>	<p>[This information was deemed confidential according to exception no. 97(iv) and 97(v) of ADB’s Public Communications Policy.]</p> <p>The fund’s annual reports</p> <p>ESMS document satisfactory to ADB adopted by PINAI prior to disbursement for the first subproject</p>	<p>Assumption</p> <p>MIRA finds attractive investment opportunities.</p> <p>Risk</p> <p>Competition from other infrastructure investment funds in Asia limits the availability of investment opportunities</p>

Activities with Milestones	Inputs
<p>Operational arrangements</p> <p>1.1 Fund manager is selected in Q2 2012.</p> <p>1.2 Legal documentation (including shareholders' agreement, subscription agreement, and fund management agreement) are executed no later than Q3 2012.</p> <p>1.3 Incorporation, registration, and other activities needed to establish PINAI Fund are complete no later than Q4 2012.</p> <p>Financing arrangements</p> <p>2.1 ADB, APG, GSIS, and Macquarie Group invest in first close of the fund by Q3 2012.</p> <p>2.2 Other investors commit by Q4 2013.</p> <p>Fund activities</p> <p>[This information was deemed confidential according to exception no. 97(iv) and 97(v) of ADB's Public Communications Policy.]</p>	<p>[This information was deemed confidential according to exception no. 97(iv) and 97(v) of ADB's Public Communications Policy.]</p>

ADB = Asian Development Bank, APG = Algemene Pensioen Groep, ESMS = environment and social management system, GSIS = Government Service Insurance System, MIRA = Macquarie Infrastructure and Real Assets; PINAI = Philippine Investment Alliance for Infrastructure.

Note: Assuming final close by 2012, the investment period will end by 2015, with the possibility of a 1-year extension.

^a Average private sector investment in the Philippines was 3.6% of gross domestic product in 1990–1999, and 2.1% in 2000–2009. Private investments are defined as financing commitments under public–private partnership contracts. Source: World Bank. <http://ppi.worldbank.org>.

Source: Asian Development Bank.

LIST OF LINKED DOCUMENTS

<http://www.adb.org/Documents/RRPs/?id=45929-01-4>

1. Sector Overview
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