Early Warning System

ADB-50019-001

Mobilizing Pension Fund Financing for Public-Private Partnerships

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Quick Facts

Countries	China
Financial Institutions	Asian Development Bank (ADB)
Status	Active
Bank Risk Rating	B
Voting Date	2016-08-31
Borrower	Government of People's Republic of China
Sectors	Finance, Technical Cooperation
Investment Type(s)	Grant
Investment Amount (USD)	$ 0.40 million
Project Cost (USD)	$ 0.40 million

Project Description

The TA will help prepare the PRC's pension funds for financing PPPs, and equip the PRC's PPPs to access pension fund financing. It will have both a national and provincial scope, with Sichuan province providing a case study of provincial conditions and practices. Knowledge products will be prepared to share the findings with national agencies and local governments. The impact and outcome of the TA will be achieved through the following outputs and activities.

Output 1: Pension funds in public–private partnership financing in other countries assessed. This will draw out the implications for the PRC of practices in other countries based on a desk study and a study tour of countries demonstrating good practices. The output will identify the different ways in which pension funds have engaged in PPPs, the preconditions for successful financing of PPPs by institutional investors such as pension funds, the implications of different pension fund structures and types (e.g., defined benefits versus defined contribution funds), and the impacts on both the PPP programs and the development of the finance sector. Maximum use will be made of earlier studies that examined how to protect the long-term interests of pension funds while facilitating their investment in PPPs. These studies highlighted the importance of ensuring policy and regulatory frameworks for long-term investment, and a transparent investment environment. The regulatory and governance framework in which pension funds have operated and, in particular, the regulatory controls and other formal checks and balances on the actions of pension fund managers, will also be explored.

Output 2: Suggestions on improving the role of pension funds in public–private partnership financing prepared. While the national and local government-managed pension funds have recently been provided more flexibility to engage in PPPs, improvements to investment and asset management practices are still needed. The opportunity to increase potential returns needs to be matched with prudent management of their assets and risk profile to ensure financial sustainability and good governance.

Output 3. Action plan for enhancing the role of pension funds in public–private partnership financing prepared. The findings of the TA will be encapsulated in an action plan for improving the readiness of pension funds to invest in PPPs, and for improving the readiness of PPPs to access pension fund financing. Close attention will be paid to the views of the regulators and administrators of pension funds in preparing the action plan, and lessons from the experience of other countries.

The TA will be implemented over 36 months, from 1 October 2016 to 31 September 2019. The Sichuan Finance Department will be the executing agency and provide high level guidance to the TA, while the Public–Private Partnership Research Institute of China in Southwest Jiaotong University will be the implementing agency and lead on operational matters. The consultants' detailed work plan will be updated and agreed by the implementing agency and ADB as the team is mobilized.

CONSULTING SERVICES

International advisors (an institutional investment advisor and a PPP advisor) will provide a total of 3 person-months input. National consultants (an institutional investment advisor and team leader, a PPP specialist, financial specialist, pension fund specialist, and coordinator) will provide a total of 30 person-months inputs. Considering the nature of the assignment and the availability of the required expertise, the national consultants will be engaged through a firm using the Fixed Budget Selection and biodata technical proposal. The international consultants will be engaged on an individual basis. As TA implementation will make extensive use of participatory workshops, and a wide range of skills and experience will be required to support these workshops; provision is also made for resource persons.

Investment Description

- Asian Development Bank (ADB)

Contact Information

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ACCOUNTABILITY MECHANISM OF ADB

The Accountability Mechanism is an independent complaint mechanism and fact-finding body for people who believe they are likely to be, or have been, adversely affected by an Asian Development Bank-financed project. If you submit a complaint to the Accountability Mechanism, they may investigate to assess whether the Asian Development Bank is following its own policies and procedures for preventing harm to people or the environment. You can learn more about the Accountability Mechanism and how to file a complaint at: http://www.adb.org/site/accountability-mechanism/main

Bank Documents

- Mobilizing Pension Fund Financing for Public-Private Partnerships: Technical Assistance Report [Original Source]
- Project Disclosure PDF