

Introduction to Asia Pacific Project Preparation Facility (AP3F)

INVEST PH: PPPs for Local Government Units

Auditorium C&D, ADB Head Office
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Office of Public-Private Partnership
Asian Development Bank



PPP Operational Framework and Allocation of Responsibilities

| Pillar 1 | Pillar 2 | Pillar 3 | Pillar 4 |
|---|---|--|---|
| Advocacy and capacity development | Enabling environment | Project development | Project financing |
| <ul style="list-style-type: none"> • Create awareness • Invoke leadership • Identify PPP potential in sector planning and the private sector development agenda • Develop capacity of Government • Enhance external knowledge management links | <ul style="list-style-type: none"> • Develop policy, legal, regulatory and institutional framework to facilitate, guide and manage the development of PPPs (country and sector specific) | <ul style="list-style-type: none"> • Assist in the development of pathfinder projects • Provide support (including advisory support) throughout the process from structuring to bid management and contract award/financial close. | <ul style="list-style-type: none"> • Provide long-term debt financing including local currency • Catalyze commercial financing by equity, debt and guarantees. • Provide public sector financial support through schemes to ensure viability and cash flow sustainability. |

Responsibilities in ADB

Regional Department (Sovereign)

PSOD (Nonsovereign)

OPPP (Coordination and support)

OPPP (AP3F)

OPPP (TAS)

AP3F: Asia Pacific Project Preparation Facility

OPPP: Office of Public-Private partnership

PSOD: Private Sector Operations Department, TAS: Transaction advisory services

Office of Public-Private Partnership

Directly reporting to ADB's President

Transaction Advisory Services

- Project Structuring for Public Sector Stakeholders
- Project Structuring for Private Sector Stakeholders

PPP Fund Management

- **Asia Pacific Project Preparation Facility (AP3F) – a Trust Fund**
- Technical Assistance Funds

PPP Coordination and Support

- Support to PPP Policy and regulatory/institutional framework in DMCs with ADB's Regional Departments and their various facilities such as PSDI
- ADB's internal coordination for PPP operations Bank-wide

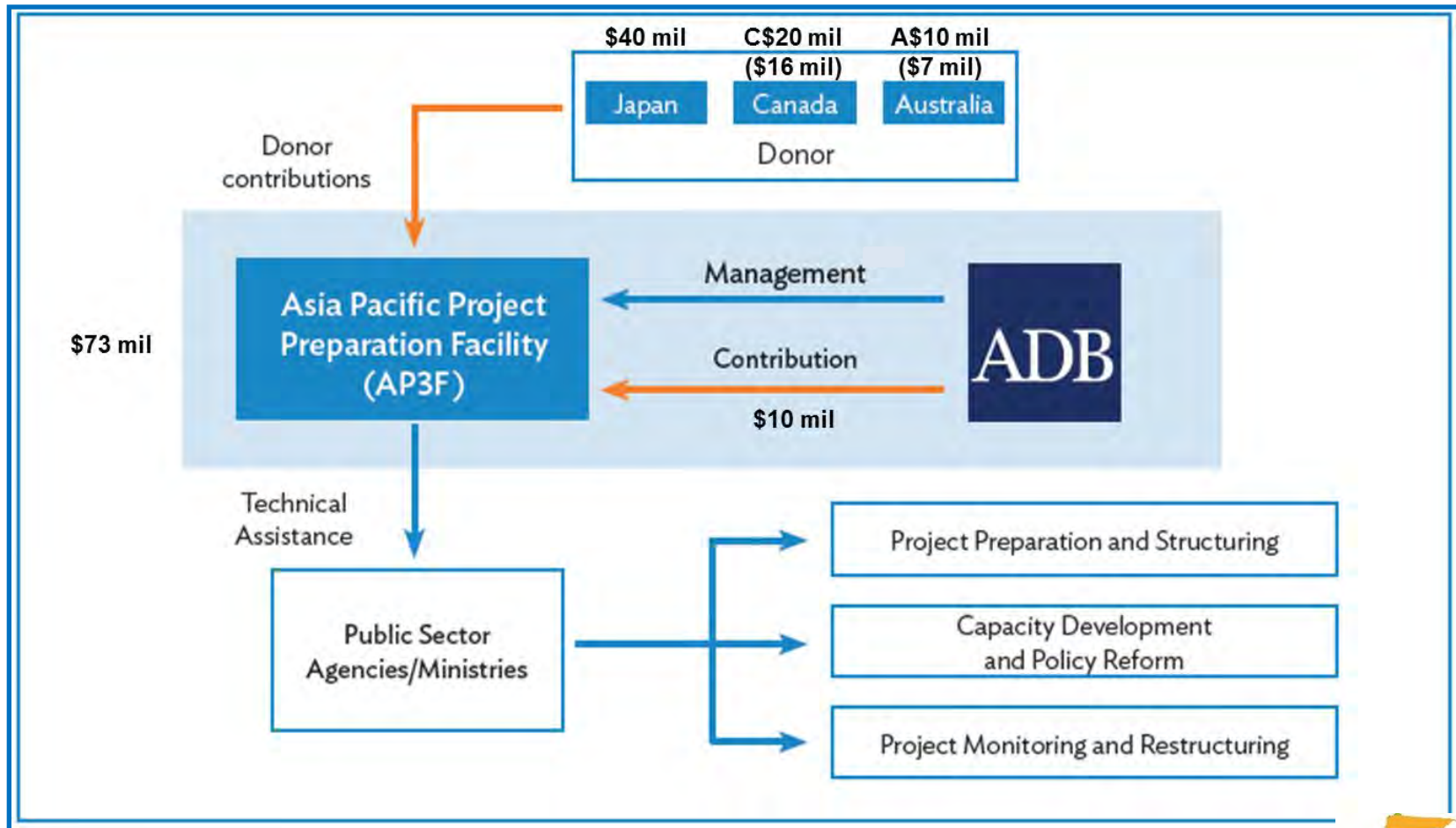
AP3F Highlights

- ❑ AP3F's primary objective is to assist developing member countries' (DMC) governments and their public sector agencies (DMC Agencies), including local government units, prepare and structure infrastructure projects with private sector participation (including public–private partnership (PPP) modalities and bring them to the global market.
- ❑ AP3F's size is about \$73 million equivalent, with commitments from Japan (\$40 million), Canada (CA\$20 million), Australia (AU\$10 million), and ADB (\$10 million).
- ❑ AP3F assistance can take the form of:
 - Project preparation support,
 - Capacity-related assistance, including for the reform and improvement of policy, legislative, regulatory and institutional practices in DMCs, where this is linked or otherwise complementary to such infrastructure projects, and
 - Ongoing project performance assistance, including project monitoring and project restructuring.



AP3F in Brief

AP3F's objective is to assist Developing Member Country governments and their public sector agencies in preparing and structuring infrastructure projects with private sector participation



AP3F Approved Applications

AP3F is currently supporting 14 applications. Total amount of approvals is \$12.8 million, and equivalent to 29.8% of the total commitment.



Georgia

- Capacity building for underground gas storage



Kazakhstan

- Energy efficiency for ESCO modalities
- Project preparation for Shymkent and Saryagash bypass roads



Bangladesh

- Project preparation for Dhaka bypass road
- Capacity building for PPP Authority



Myanmar

- Project restructuring of 4 road BOT concessions



Indonesia

- Project preparation for the expansion of Batam international airport



Thailand

- Capacity building for seaport PPP program



Philippines

- Prefeasibility for solid waste management in Cebu City



Timor-Leste

- Capacity support for seaport project



Papua New Guinea

- Concession for the Port Moresby airport



Samoa

- Review of power sector tariffs
- Capacity building for the Ministry of Public Enterprises



Solomon Islands

- Creation of a PPP center

Activities financed by AP3F

- Project Preparation and Structuring

AP3F resources are intended for:

➤ Due diligence and early stage preparation of projects, including but not limited to studies, specifications and reports dealing with the following aspects:

- Technical,
- Economic and financial,
- Legal and regulatory,
- Insurance,
- Climate/environmental,
- Geotechnical,
- Social,
- Institutional and governance,
- Anticorruption and integrity,
- Risk identification and risk mitigation,
- Project management, and
- Transaction structuring



Activities financed by AP3F

- Project Preparation and Structuring

AP3F resources are also intended for:

- Marketing, tendering and award of projects, including:
 - ❑ Preparing information memoranda and marketing materials to place transactions with corporate sponsors, institutional investors, and lenders;
 - ❑ Managing road shows;
 - ❑ Creating and overseeing data rooms and other channels for dissemination of project information to interested parties;
 - ❑ Preparing bid documents, financial models and draft contracts;
 - ❑ Managing the bidding process; and
 - ❑ Assisting with evaluations, negotiations, and awards.



Activities financed by AP3F

- Capacity Development and Policy Reform

AP3F resources can be used for:

- Project-related assistance, including:
 - ❑ Upstream legislative and regulatory reform,
 - ❑ Appropriate PPP project selection criteria,
 - ❑ Application design and planning support,
 - ❑ Staff training, and
 - ❑ Market and/or stakeholder awareness.



Activities financed by AP3F

- Monitoring, Evaluation and Restructuring

In addition, AP3F resources are intended for:

- Monitoring and evaluation of projects supported by AP3F and where requested by DMC agencies.
- Project restructuring – with the exception of project restructuring caused by a public sector default or political risk event



Activities Supported by AP3F

For the government, AP3F assistance can be tailored to the stage of the project and the needs of the developing agency

Capacity Building – integrated into every aspect of support process

Upstream
Reform

- Create the enabling environment for the project

Due
Diligence,
Early Stage
Preparation

- Conduct feasibility studies and assess commercial viability for the project

Marketing,
Tendering,
Award

- Assist on tender process to bring private sector participation to the project

Ongoing
Assistance

- Monitoring and evaluation of projects post implementation
- Project restructurings

Eligibility and Priorities

All ADB developing member countries' public sector agencies may apply including central and local governments, as well as government agencies (including sub-sovereign and government-owned entities)

Target sectors include, but are not limited to:

- Energy (such as power generation, transmission and distribution),
- Transport (such as ports, airports, railways and roads),
- Urban development (such as water and waste management),
- Social infrastructure (such as healthcare and education)

Applications are prioritized in accordance with the following criteria:

- Demonstrates climate resilience through quality infrastructure,
- Positively impact poverty reduction,
- Enhances regional connectivity and economic integration,
- Involves new investments,
- Is in line with priorities by ADB's developing member countries (and their Country Partnership Strategy)
- Provides opportunity for best practice in governance, procurement and/or contracting,
- Is first in kind in a given sector or country,
- Projects structured as concessions should also demonstrate:
 - Value for Money and potential for replication; and
 - Commercial viability and probability of reaching financial close.



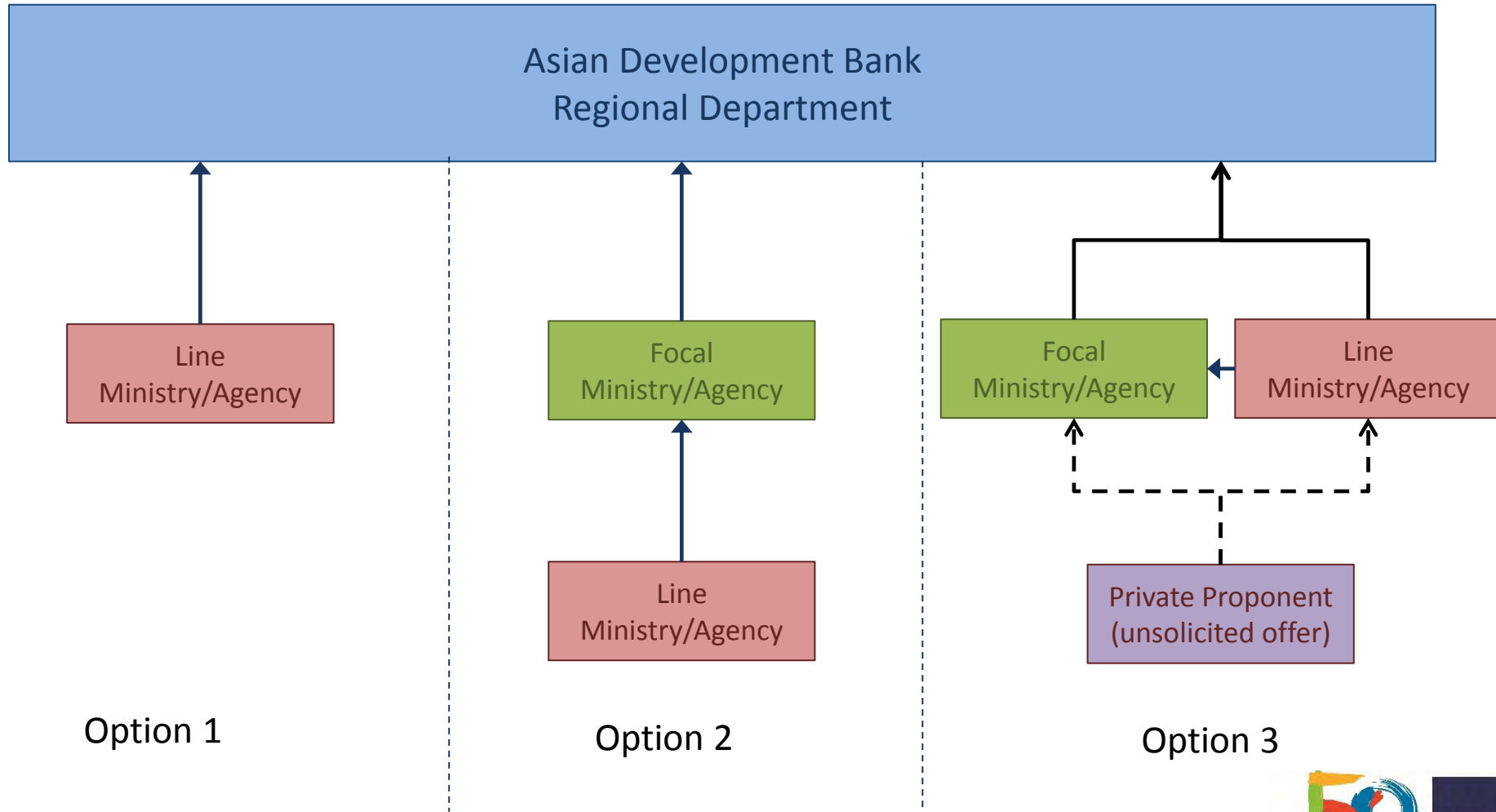
Financing Arrangements

- AP3F support should in principle be provided on a cost-recoverable basis in the case of concession-type projects. Modalities include, but are not limited to:
 - Repayment of project preparation costs for concession-type projects upon project award (no cost-recovery will be sought in the case of project award to the original sponsor(s) of an unsolicited proposal), and
 - Termination payments to be made by the DMC Agency in appropriate circumstances.
- AP3F activities will be identified, designed, processed, approved, implemented, supervised and monitored in accordance with applicable ADB policies, procedures, and guidelines (including environmental, social, anti-corruption and procurement)



Application Process

Depending on countries, applications to ADB may be submitted, either through a focal ministry/agency, or directly from line ministries/agencies, or by private sector proponents via line ministries/agencies (in case of unsolicited offers).



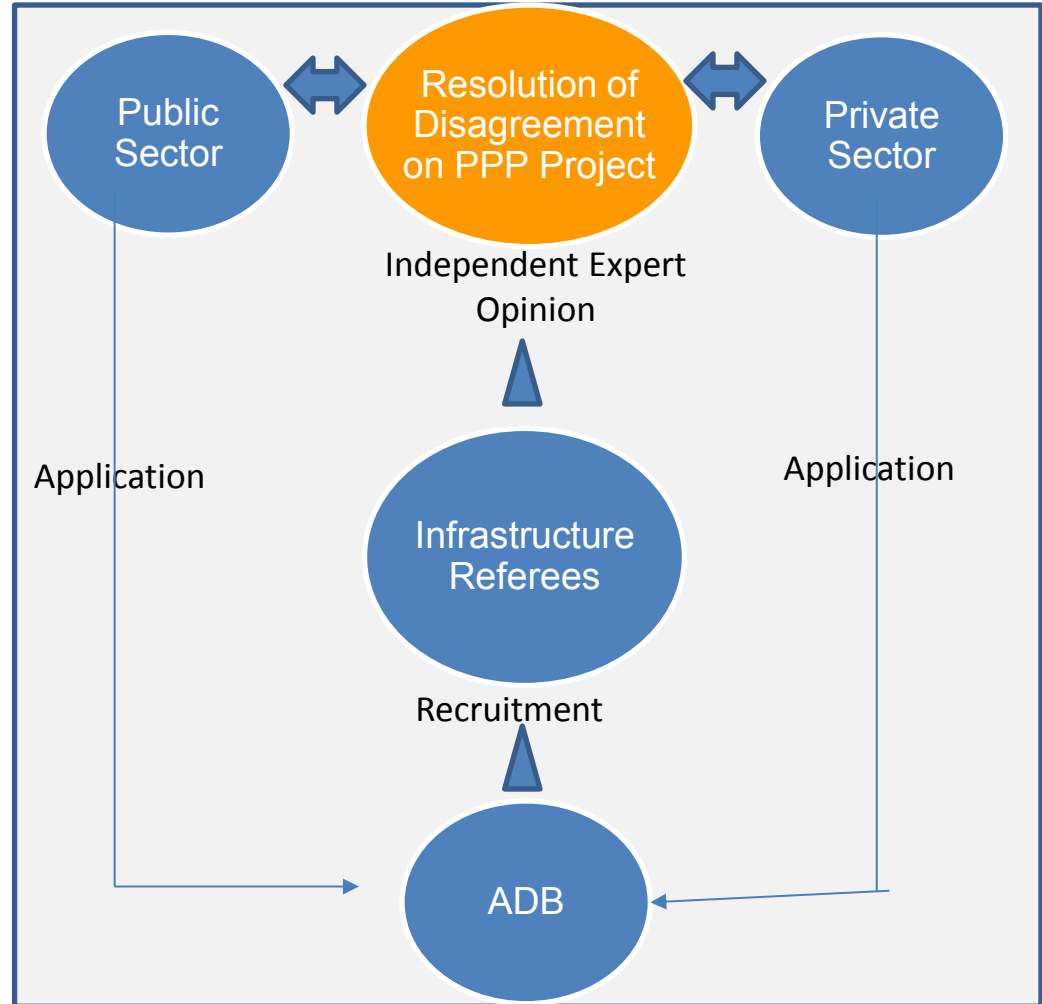
New Initiative under AP3F Infrastructure Referee Program

Function:

- Provides a “third party opinion” to public and private parties to help them resolve disagreements.
- AP3F will fund qualified consultants (Infrastructure Referees) who will be tasked with conducting due diligence on both parties’ positions, studies, data, and documents, and deliver their recommendation to both parties with the objective of achieving a clear, balanced risk allocation.
- The solution proposed by the Infrastructure Referees will be impartial and fully independent.

Benefits:

- Surgically target critical bankability challenges seen occurring over a large number of PPP transactions before financial close.
- Channel resources to address potentially contentious contractual disputes.



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