

Public-Private Partnerships

ADB Support for Private Sector Transport Initiatives in DMCs

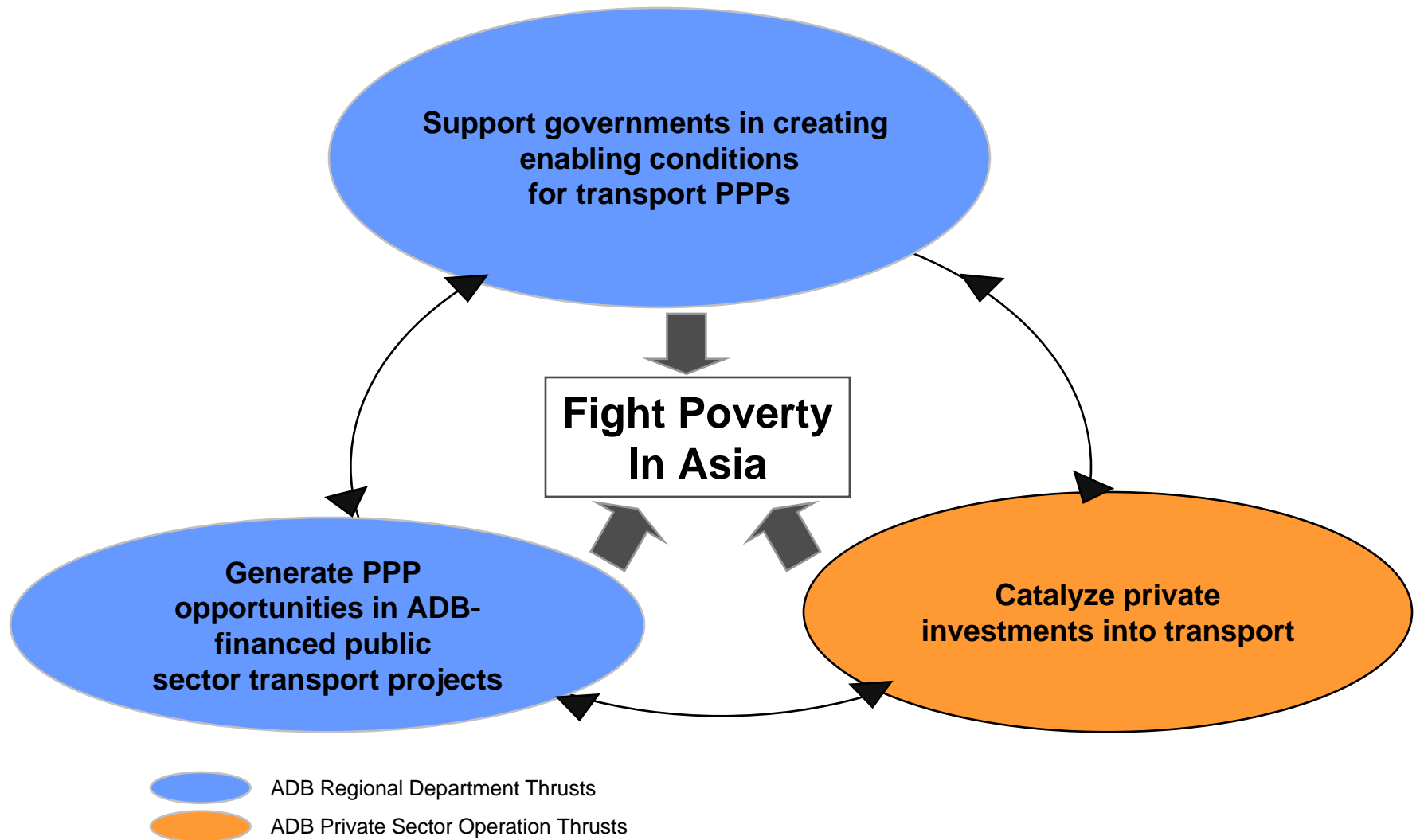
Mike Barrow

Director

Private Sector Infrastructure Finance 1
Private Sector Operations Department (PSOD)

12 September 2008

Multi-pronged support for Transport PPPs



**Catalyze private
investments into transport**

DIRECT:

Equity
'A loans'

CREDIT ENHANCEMENT:

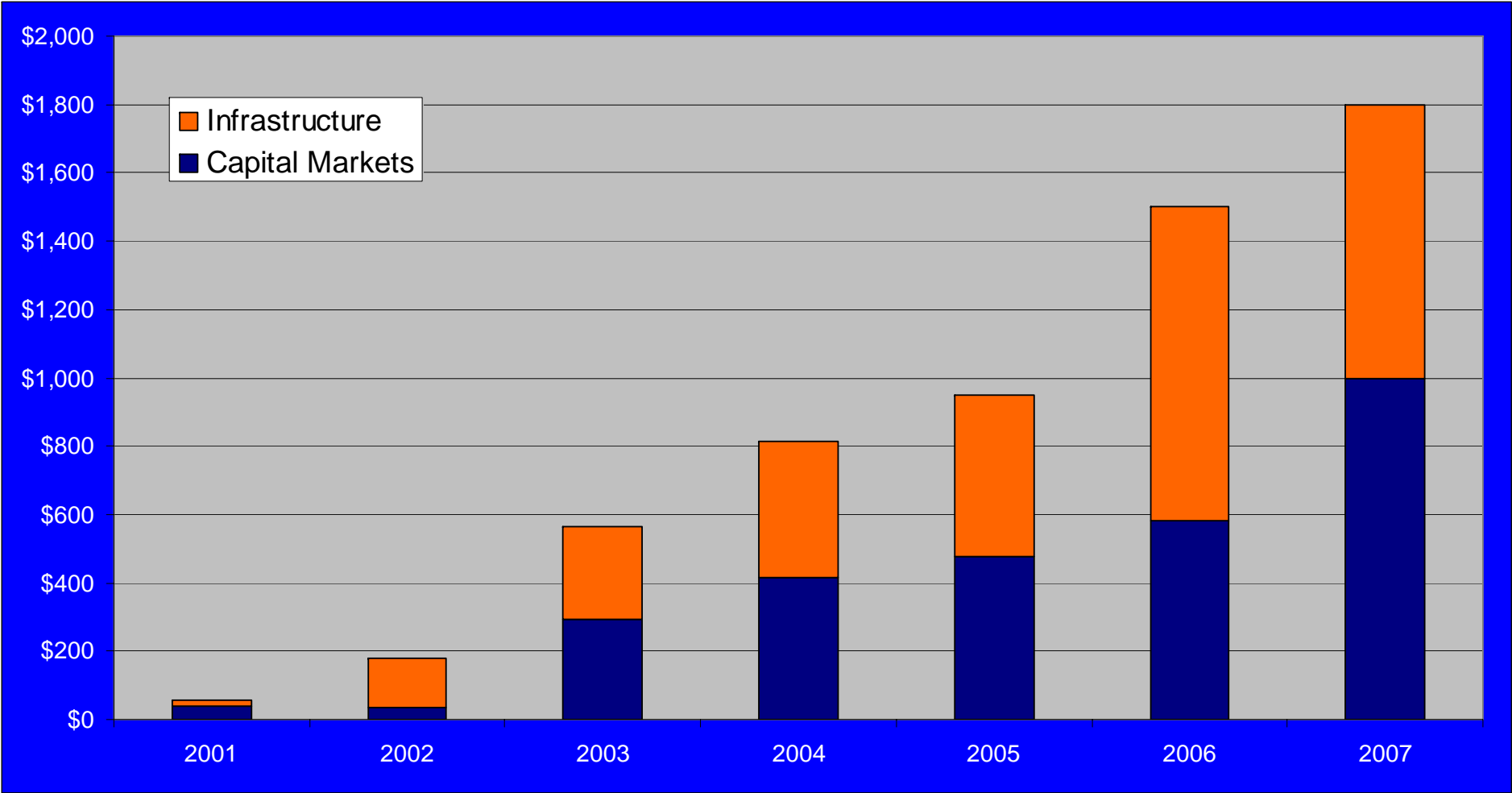
'B loans'
PRG / PCG

COFINANCING:

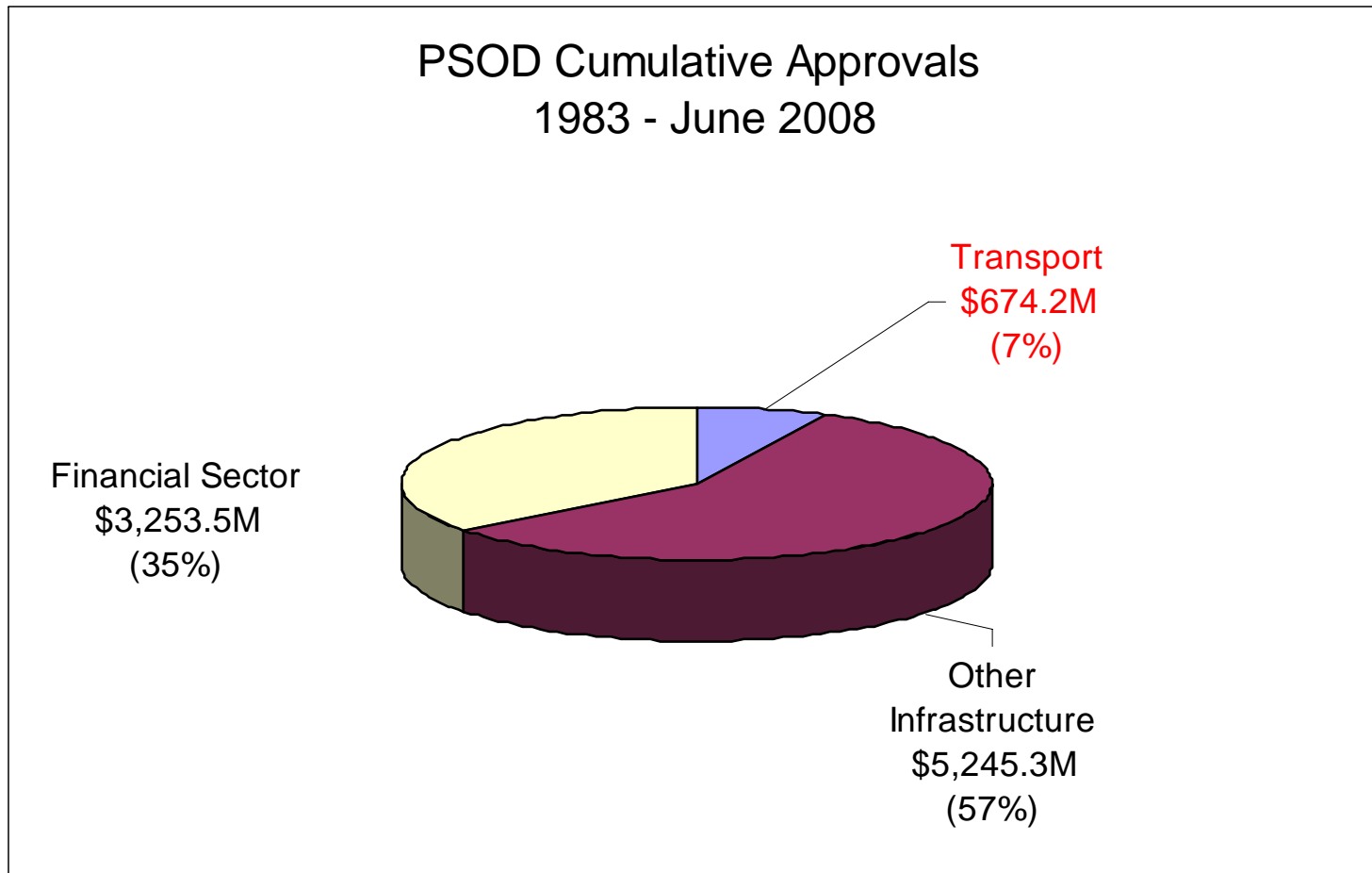
Syndications
Parallel financing

PSOD FINANCING 2001 - 2007

(in \$ million)



ADB Private Sector Operations





Colombo Port Development

*Increasing trade and economic activity
in Sri Lanka and South Asia*

PROJECT PROFILE

Description: Expansion and improvement of terminal facilities in Colombo Port, Sri Lanka

Actual completion date: August 2003

Total cost: US\$175.0 million

ADB approved assistance: US\$36.1 million loan, without government guarantee; equity investment of up to US\$7.4 million

Borrower: South Asia Gateway Terminals Limited (SAGT)

Sponsors: P&O Nedlloyd Container Line Limited, P&O Australia, John Keells Holdings Limited

Other investors: Commonwealth Development Corporation, International Finance Corporation, Evergreen Group

Development impacts: Establishment of Colombo as a premier transshipment port between Europe and Southeast Asia; creation of jobs and provision of considerable income to the Government of Sri Lanka; promotion of growth in the export and import industries in the Indian subcontinent by way of more reliable and efficient sea transport systems

The Colombo Port Development Project is Sri Lanka's first transport initiative packaged under a build-operate-transfer (BOT) scheme. It is designed to establish Colombo as a premier transshipment hub in Asia. The Project called for the expansion of the Queen Elizabeth Quay facilities from a designed capacity of only 285,000 twenty-foot equivalent units (TEUs) to 1.1 million TEUs. The Project represents the initial stage of the government's plan to establish the Port as a regional hub. Given the tremendous rise in trade volumes from



Asia to Europe and the United States, it is considered a critical project in the country's development strategy.

The Project is ADB's first investment in a private sector infrastructure project in Sri Lanka, made in line with ADB's country development strategy to promote economic growth and reduce poverty through policy and institutional reforms as well as to encourage private sector investment particularly in vital infrastructure projects.

ADB approved a financial assistance package in 1999 consisting of an equity investment of \$7.4 million and a loan without government guarantee of up to \$36.1 million. In addition, ADB assisted

in structuring a bankable transaction that could be replicated in future private sector-led port projects in Sri Lanka.

The Project is expected to result in a windfall of benefits not only for Sri Lanka but also for the entire South Asia. Foremost is the expected increase in jobs and economic activity in Sri Lanka, not to mention additional substantial revenues for the Government to spend on social services. For importers and exporters in the entire region, the improved port facilities will result in reduced overall transport and logistics costs as timely and more reliable operations are achieved.



Private Sector Department **ADB**

Need financing for a similar project? Contact us.

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North Luzon Tollway Project

*Expressway to development of the
regions*

PROJECT PROFILE

Description: Modernization and expansion of the 84-kilometer North Luzon Expressway

Target completion: First quarter of 2005

Total cost: US\$371 million

Developer: Manila North Tollways Corporation

ADB assistance: US\$45 million loan without government guarantee; complementary loan financing of US\$25 million from international commercial banks

Other investors: International Finance Corporation, Multilateral Investment Guaranty Agency, Coface, Export Finance and Insurance Corporation Australia, ABB Structured Finance B.V., Mizuho Corporate Bank Ltd., Credit Agricole Indosuez, DZ Bank AG, Westdeutsche Landesbank Girozentrale

Development impacts: Decentralization of growth to other regions; investment promotion through support for better infrastructure; faster and safer travel

The upgrading of the Philippines' North Luzon Expressway into a modern tollway system marks a significant phase in the country's national road development program. The project will be the country's first expressway to be rehabilitated, operated, and maintained by the private sector.

The expressway links Metro Manila, the national capital, to the central and northern provinces of Luzon, the country's largest island. As such, it is one of the Philippines' main road arteries. Expansion and improvement of the road to world standards are seen not only to spur development in other regions but also to decentralize economic activities from congested Metro Manila.



Targeted for completion in 2005, the Manila North Tollway will be the first toll road in the Philippines that will be constructed employing world-class contractors like Leighton Contractors Asia Ltd. of Australia for the civil works, and Egis Projects S.A. of France for the toll operation equipment and systems. It will be the first toll road in the country to have operational amenities comparable with the best in the world. These include a choice of electronic and manual toll collection system for motorists, electronic

message signs on road conditions ahead, overhead monitoring cameras, emergency call boxes every one or two kilometers (km), emergency parking areas every one to three km, rest areas, 24-hour traffic management, and prompt motorist assistance.



The project is structured under a rehabilitate-operate-transfer (ROT) scheme wherein the tollway will be maintained and operated for a 25-year period and then transferred to the government at no cost. The Manila North Tollways Corporation (MNTC) is tasked to maintain and operate the project until 2030. MNTC is a limited liability company jointly owned by the First Philippine Infrastructure Development Corporation, a major private infrastructure development firm; Egis Projects, a unit of the largest French tollway operator; and the Philippine National Construction Corporation, a government-controlled company that held the original franchise to construct and operate the expressway.

The total cost to upgrade the North Luzon Expressway is estimated at US\$371 million and will be the first toll road undertaking that

will be financed without a government guarantee. The Asian Development Bank (ADB) acted as the lead coordinating bank in structuring the debt package for the project. Aside from extending a loan for US\$45 million from its own resources, ADB acted as the lender-of-record on a US\$25 million facility funded by international commercial banks. This financing scheme was cited in 2001 as the Asia-Pacific Transport Deal of the Year by Project Finance Corporation and the Asian Legal Deal of the Year for Project Finance by International Finance Legal Review.

Need financing for a similar project? Contact us.

ADB LTSF – ‘Strategy 2020’

“scale up private sector development and private sector operations in all operational areas, reaching 50% of annual operations by 2020”

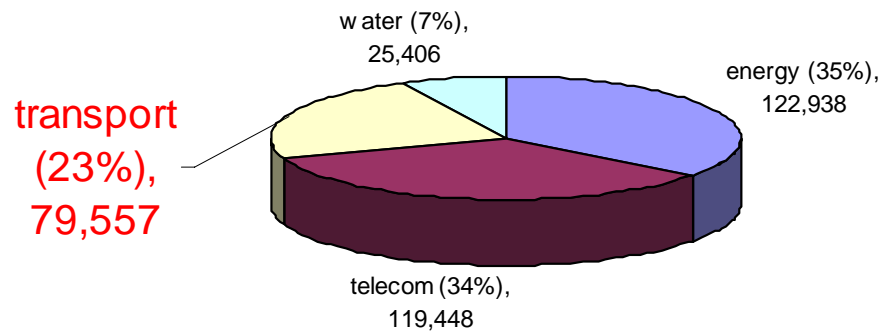
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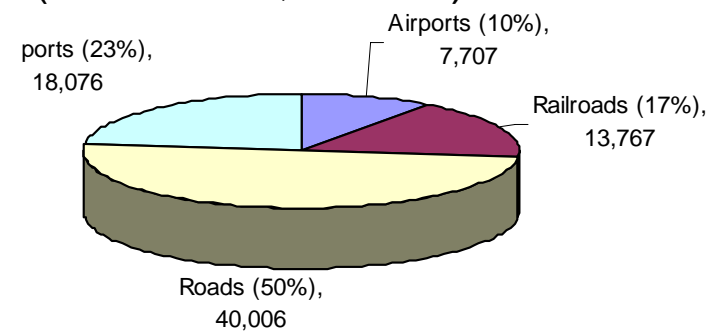
"...And don't you ever let me catch you playing in the private sector again!"

Asian PPP experience

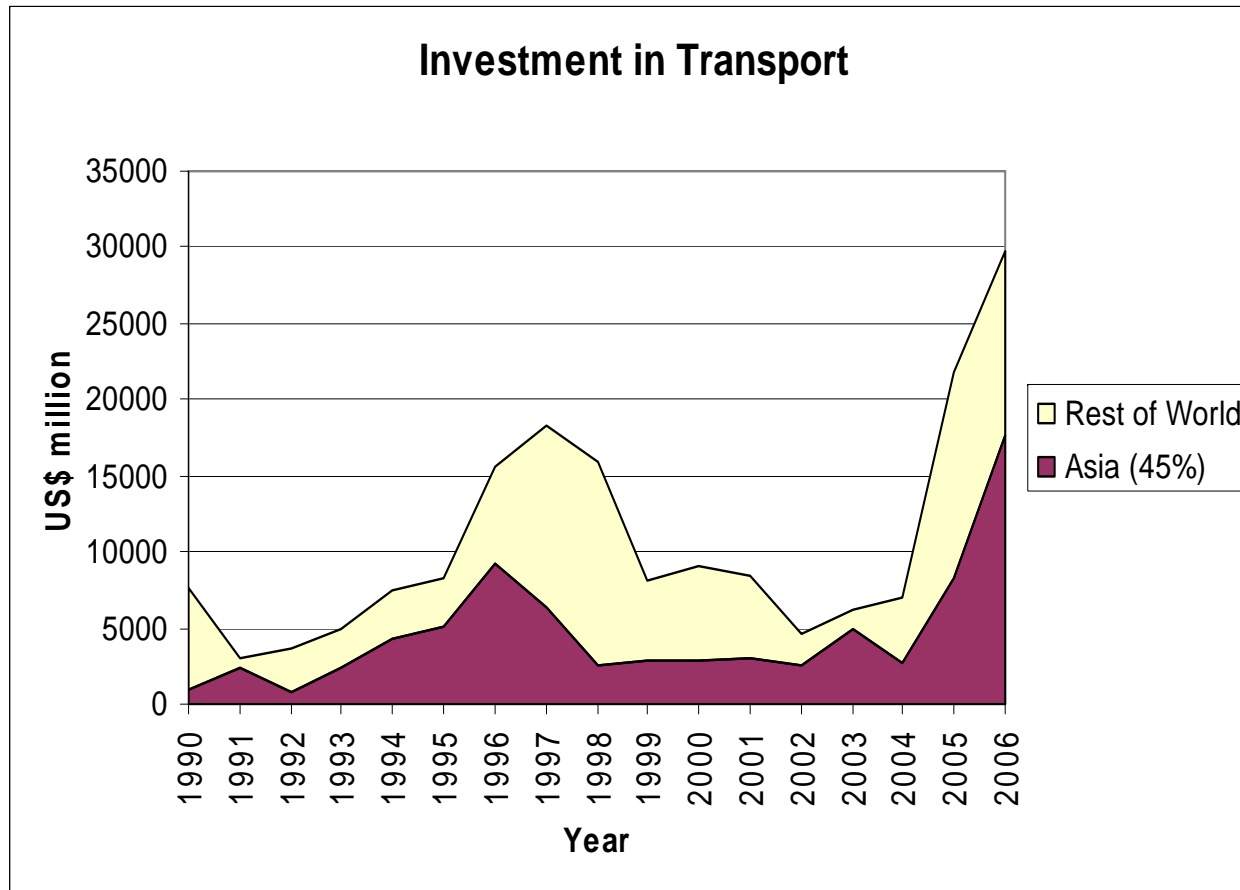
Asia PPP by sector (1990-2006, US\$ m)



Asia PPP transport sub-sector (1990-2006, US\$ m)



Asian transport PPPs



Why the constraints – Public Sector

- Planning
 - Mega
 - Sequencing
 - Preparation
- Ownership and drive
- Realism
- Consistency / transparency
- Risk-sharing – (true partnership)
- Support and sanctity of contracts
- ‘Quiet enjoyment’

Why the constraints – Private Sector

- PPP experience?
- Risk evaluation and appetite?
- True competition?
- Political risks?
- Land issues?
- Limited financing options?
- Scepticism?

Transport PPPs - it's all about...

Team Work

