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PPIAF'S WORK IN EAST ASIA AND PACIFIC

East Asia and the Pacific economies are emerging strongly from the global financial crisis with outputs, exports, and employment returning to pre-crisis levels. With recovery now more definite, many countries are focusing again on implementing their development priorities—such as infrastructure—to sustain economic growth. Governments across the region acknowledge the private sector's role in financing and delivering infrastructure. However, robust project pipelines and weak enabling environments for private sector investment continue to be constraints for countries in the region. These constraints continue to be the main driver for PPIAF assistance in East Asia and the Pacific.

Since inception PPIAF and its Sub-National Technical Assistance (SNTA) program have provided \$30,808,457 million in funding to 141 projects in the East Asia Pacific region, representing 16% of PPIAF's total funding portfolio. Projects have been concentrated in the largest countries in terms of economies and population: China, Indonesia, Philippines, and Vietnam. These four countries account for 44% of all funding in the region. Multi-sector activities dominate and represent 33% of PPIAF's funding portfolio, followed by 23% in energy and 19% in water. PPIAF has activities in over 11 countries with a current portfolio of 14 ongoing activities.

In recent months, PPIAF has approved four activities to help countries implement their infrastructure priorities with potential private sector participation: developing a universal access and service policy in ICT in Cambodia, a framework for pilot infrastructure public-private partnerships (PPPs) in Mongolia, ownership and financing arrangements for medium and large hydropower projects in Papua New Guinea, and a capacity building initiative in Vietnam for implementing PPPs in roads and highways.

East Asia and the Pacific's recovery from the effects of the recent global financial crisis is set to continue with many of the countries back to pre-crisis growth levels and now turning their attention to addressing constraints—such as insufficient infrastructure—to medium-term growth. The private sector is expected to play an important role in meeting infrastructure needs to sustain economic growth levels to address poverty and cope with the increasing demands of rapid urbanization and decentralization.

With development priorities in mind, commodity exporters in the region such as Mongolia and Papua New Guinea face the challenge of ensuring that the necessary infrastructure is in place to benefit the commodity sector and the country's overall development. In Mongolia, PPIAF is helping the government develop a strategy to prioritize and sequence the most critical PPP projects in the Gobi Desert and prepare conceptual frameworks to guide pilot PPP transactions. The activity

is part of assistance to help the government fully develop major mineral deposits in Southern Mongolia, which currently lack appropriate access to infrastructure. In Papua New Guinea, PPIAF is assisting the government in developing a strategy for ownership, financing, and implementing arrangements for new medium and large hydro-power projects that will bring about equitable sharing of benefits between the government, the private sector, and consumers. Papua New Guinea has abundant hydroelectric resources, and aims to support new industrial and mining developments and supply electricity for domestic consumption.

Building connective infrastructure is a key ingredient to attracting investment and creating jobs or economic opportunities to alleviate poverty. PPIAF is assisting Cambodia and Vietnam on this front. For Cambodia, PPIAF is supporting the finalization of the country's draft policy for a Universal Telecommunications Program and developing a credible universal access implementation strategy to encourage private sector operators to service remote, rural areas. In Vietnam, PPIAF is supporting the government in implementing its expressway program by sharing good practices on implementing PPPs in the road sector (see box below).

Vietnam: Launch of the PPIAF-Supported Toolkit for Public-Private Partnerships in Roads and Highways—PPIAF Funding: \$31,800



Background: The government of Vietnam is embarking on a \$30 billion highway program to be undertaken over the next three to four decades. Several of the planned expressways are expected to be implemented through PPPs.

PPIAF's Contribution: At the request of Vietnam's Ministry of Transport, PPIAF provided support to disseminate the Toolkit on Public-Private Partnerships in Roads and Highways during a three-day workshop in Hanoi, Vietnam. The workshop aimed to foster a better understanding of PPPs in the development of expressways and help build the capacity of local road officials in implementing PPP arrangements.

Outcomes: The launch of the Toolkit for Public-Private Partnerships in Roads and Highways was successfully held on December 13–15, 2010 in Hanoi. During the workshop, participants gained knowledge through case studies and hands-on computer exercises on good practices in implementing PPPs in the road sector (e.g., policy and regulatory frameworks, risk sharing, concession contracts, and financing). Around 30 people attended, mostly from the various departments within the Ministry of Transport. The Ministry of Planning and Investment, Ministry of Finance, and development partners such as AusAID and JICA also participated. Initial feedback from the participants indicates that many found the workshop timely and useful in their work in preparing for pilot highway projects. The Ministry of Transport is currently working with the World Bank on preparing the Daugyai–Phan Thiet and Ninh Binh–Bai Vot expressways as potential PPPs.

Indonesia: Infrastructure Risk Management and Guarantee Fund, 2006–2010

PPIAF Funding (three activities): \$1,445,000

Background: Indonesia faces a massive infrastructure backlog. Given the tight fiscal space, the government of Indonesia has recognized the need to attract private investment to help meet Indonesia's infrastructure needs. To undertake infrastructure projects with private sector participation, the Indonesian government's support is likely to be required, but caps will be needed on cost and exposure.

PPIAF's Contribution: PPIAF assisted the Ministry of Finance in 2006 with advice on an infrastructure risk management framework including the provision of government support incorporating guarantees, and subsidies to private infrastructure projects. Two follow-on PPIAF activities in 2008 and 2010 have supported the development, establishment, and implementation of a ring-fenced guarantee fund.

Outcomes:

- In May 2010 the government announced the establishment of an independent Indonesia Infrastructure Guarantee Fund (IIGF).
- The Presidential Decree and Ministerial Decree supporting the functions of IIGF and the government's guarantee policy were issued in December 2010. These were developed with PPIAF support.
- IIGF's initial issue is expected to be tested in the implementation of the Central Java 2000 MW IPP project wherein IIGF will provide political risk cover to investors.



PPIAF ACTIVITIES APPROVED IN RECENT MONTHS

- **Cambodia:** Developing the Universal Access and Service Policy Framework in the ICT Sector, approved on December 31, 2010, **\$110,000**
- **Vietnam:** Launch of the PPIAF-Supported Toolkit for Public Private Partnerships in Roads and Highways, approved on August 19, 2010, **\$31,800**
- **Papua New Guinea:** Strategy for Ownership, Financing and Arrangements for Sharing the Financial Benefits for Medium and Large Hydropower Projects, approved on August 5, 2010, **\$35,000**
- **Mongolia:** Framework for a Pilot PPP Transaction, approved on May 6, 2010, **\$137,500**

PPIAF has activities in: Cambodia, China, East Timor, Indonesia, Lao PDR, Mongolia, Philippines, Papua New Guinea, Solomon Islands, Thailand, Vanuatu, and Vietnam