PPP trends and initiatives in South Asian Countries

Policy Dialogue on PPP for Infrastructure Development in South Asia
Organized by UN ESCAP

21-22 September 2015
Agenda

1. Infrastructure Assessment of South Asian Countries
2. Emergence of PPPs in South Asia
3. India’s experience so far
4. Challenges and Way Ahead for PPPs in South Asian Countries
South Asia region lags behind in infrastructure development…

Key points:
► No South Asian country in Top-50
► Huge infrastructure gap in all South Asian countries

Note: Information not available for Afghanistan and Maldives
...hence, the region requires $4-5 trillion of investment by 2030...

**Key points:**
- Investment to a tune of USD 4-5 trillion required between 2010 and 2030 to bridge the gap

**Infrastructure Investment Requirement**
- **US / Canada**: ~$6-6.5 trillion
- **Americas**: $16–17 trillion
- **Europe**: $8–10 trillion
- **Asia/Oceania**: $15-20 trillion
- **Africa/Middle-East**: $2–3 trillion
- **China**: ~$6.5-7 trillion
- **India**: ~$3-3.5 trillion

**WORLD TOTAL**: $40 – 50 trillion

*Source: BCG report – The Global Infrastructure Challenge 2010, Secondary research, EY Analysis*
Public sector spending alone wouldn’t suffice $4-5 trillion investment requirement…1/2

Key points:
► Budget deficit has put substantial constraints on scarce public resources in most south Asian countries

Source: www.cia.gov, EY Analysis (As per 2004 estimates)
Public sector spending alone wouldn’t suffice $4-5 trillion investment requirement...2/2

Key points:
► Huge public debt puts further constraints on scarce public resources
► Major share of USD 4-5 trillion of investment to come from the private sector

Source: [www.cia.gov](http://www.cia.gov), EY Analysis (As per 2014 estimates)
...PPPs in infrastructure have gained momentum in the region since 1990...

Number of PPP Projects (Financial Closure Achieved)

**Early Days**
- Total 15 projects worth USD 1.8 billion
- 8 projects in Energy sector; 1 in Transport sector and 6 in Telecom sector

**Kick-off Phase (1994-2001)**
- Total 177 projects worth USD 33.3 billion
- 86 projects in Energy sector and 46 projects in Transport sector

**PPP Boom (2002 onwards)**
- Total 876 projects worth USD 351.4 billion
- India major contributor
- 458 projects in Energy sector and 377 projects in Transport sector

India is leading the way for PPP projects in the region...

Country wise PPP projects and investments till 2014

- India front runner in PPP projects - Financial closure for 847 projects (76% of total projects) amounting to USD 338 billion
- Energy and Transport sectors have been the focus of private sector participations in the region

Key points:
- India is front runner in terms of numbers of PPP projects and investments
- Afghanistan, Bhutan and Maldives have not seen much PPP investments

India’s PPP story so far
50% of infrastructure investment to come from private sector

Infrastructure investment

- Private
- Public

Source: Twelfth Five Year Plan and Eleventh Five Year Plan, Planning Commission

Key points:
- Private sector participation has continuously increased with 12th FYP envisaging around 50% of infrastructure investment to come from private sector

* Estimated, Source: Gajendra Haldea, “Building Infrastructure: Challenges and Opportunities,” 7 July 2010; Twelfth Five Year Plan 2012-2017, Planning Commission
India’s PPP story so far
Score on Critical Success Factors (CSFs) encouraging PPP

*Scoring is based on our perception*

PPP Projects in India

- Well developed Financial Market
- Robust Risk Allocation Framework
- Economic & Financial Viability
- Adequate Government Support
- Transparent & Fair Procurement Process
- Strong Legal/Regulatory Framework
- Stable Political Situation & Will
- Strong & Matured Private Sector
- Stakeholders Participation & Interactions

*Weak
Moderate
Strong*
India’s PPP story so far

*But still lot to be achieved*

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### Policy / Regulatory Reforms

1. Preparation and implementation of dedicated PPP policy and rule
2. Creation of an Independent PPP Regulator and Dispute resolution courts
3. Making Value-for-money (VFM) mandatory for each project in the PPP policy/rule

### Institutional Reforms

2. Development of institutional capacity at state and local body level
3. Improvement of PPP database management at national and state level

### Financing Reforms

3. Development of long term lending financial markets in the country
4. Development of new financial products such as take-out financing and refinancing
PPP projects in the South Asia region face multi-facet challenges…

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<th>Weak Legal/Regulatory Framework</th>
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<tbody>
<tr>
<td>▶ Absence of legislation</td>
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<td>▶ Absence of sector specific regulators in many countries except India</td>
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<th>Poorly Prepared/Structured Projects</th>
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<tr>
<td>▶ Absences of Model Concession Agreements (MCAs) with robust risk allocation framework in many countries</td>
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<td>▶ Dispute resolution mechanism is a major area of concern</td>
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<td>▶ Value for money analysis not given much priority</td>
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<th>Lack of Capacities</th>
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<td>▶ Except for India, most countries in the region significantly lack in capacities, both in public and private sector</td>
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<th>Weak Financial Environment</th>
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<td>▶ Lack of dedicated financial institutions in most countries</td>
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<td>▶ Limited involvement of insurance/pension funds</td>
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<td>▶ Lack or underdeveloped financial products such as long term loans, take-out finance, etc.</td>
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To foster infrastructure investment and thus growth, the Region needs to overcome existing challenges by...

► Regional co-operation on knowledge sharing, improvement of financial climate, and capacity building of both private and public sector

► Strengthening the regulatory and legal framework

► Putting more emphasis on project preparation including value for money analysis

► Development of robust risk allocation framework and dispute resolution mechanism

► Development of local infrastructure bond markets, long term lending institutions, and innovative products such as take-out financing and refinancing
Thank You

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