

# PPPs: What Does it Take to Get Deals Through? *- Road Projects*

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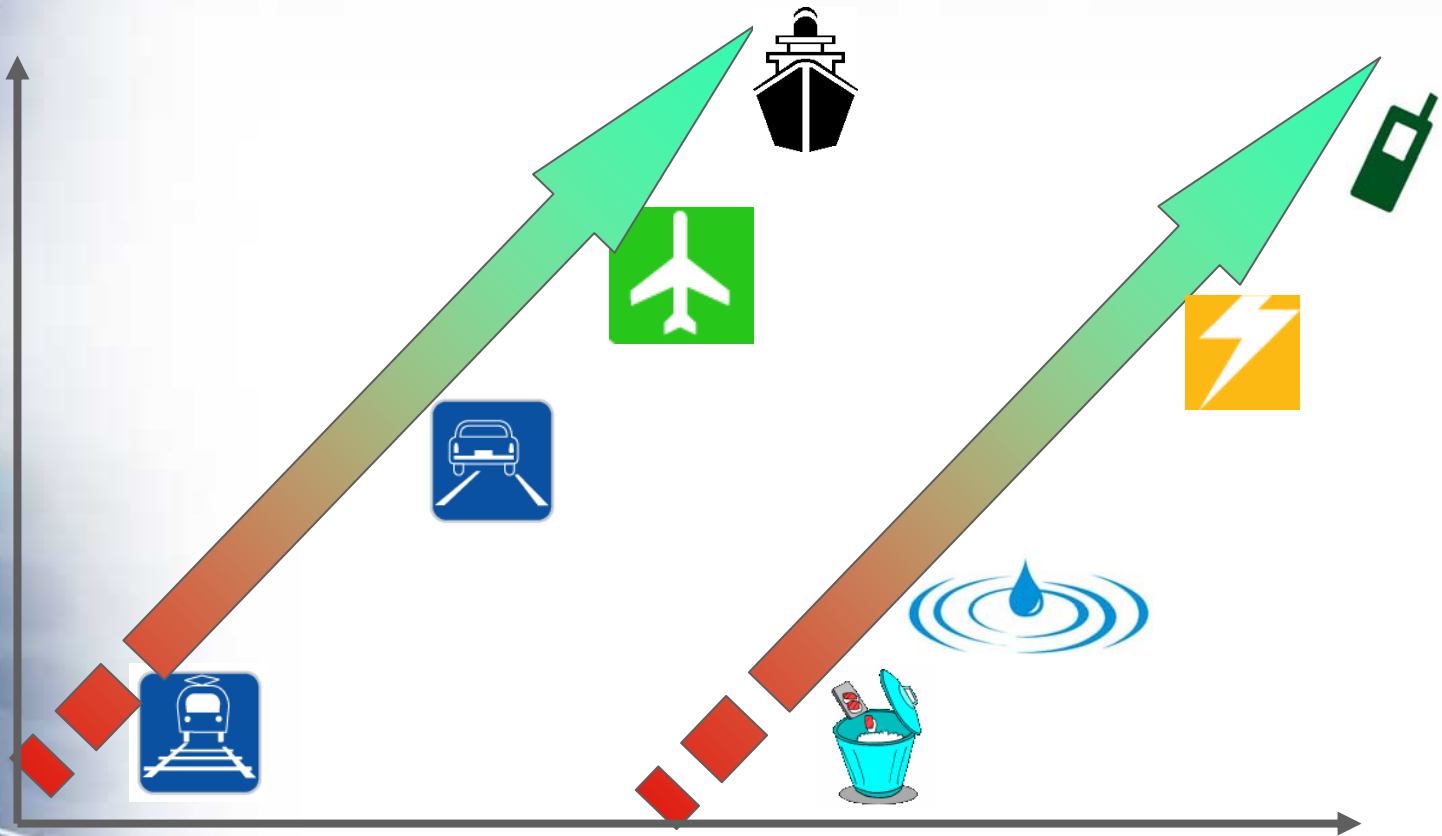
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# Viability of Different PPP/PF deals



# Hope over Experience

- Standard deviation in Urban Transport Projects

## Outturn compared with Forecast

Capital cost	+50 to +100%
Implementation time	0 to +50%
Operating cost	0 to +200%
Ridership	- 33% to -67%

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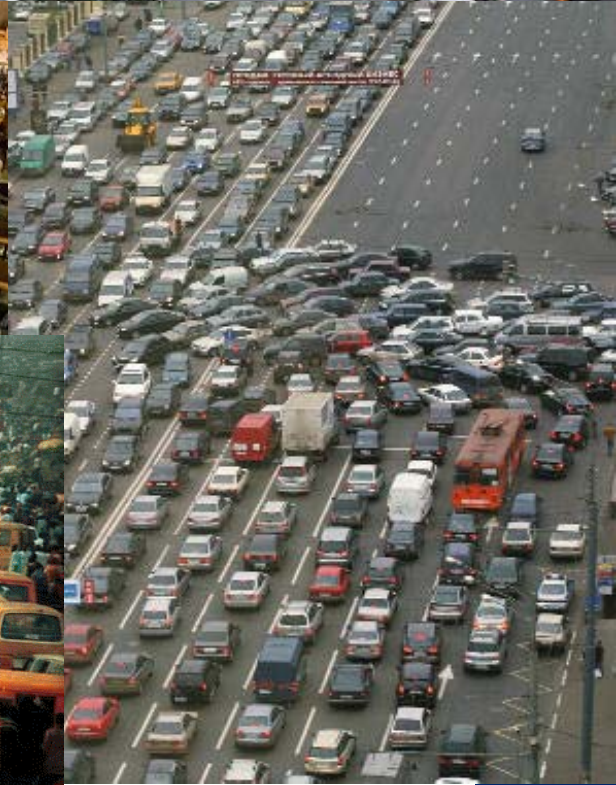
# Location, location, location



# Getting the structure right

- **Greenfield, brownfield, complementary infrastructure...?**
- **Competition?**
- **Subsidy?**
- **Financing?**

# Planning and Coordination



# Planning and Coordination

## Example - Metro Manila CIF

- A **new process** for managing city infra investment – multi-sector
- Based on **generating consensus** among all gov't stakeholders
- Via an **inter-agency committee** – chair City Authority
- And a **Technical Secretariat** – providing 'good' advice
  
- Based on a **Development Plan** (objectives)
- With **affordability** an input (budget envelope)
- Based on **Line Agency project appraisals**
- Adopting a **transparent appraisal framework**
- **'Roughly' prioritised** under **alternative futures** (robustness)
  
- **Annual cycle of activities** (planning process)
- **Substantial consensus** achieved
- **Implemented with minimal external assistance.**

*"An increasing body of evidence has shown that the better risk management of PFI results in a greater proportion of assets being delivered on time and to budget."*

Source: HM Treasury Value for Money Assessment Guide August 2004

The key findings of HM Treasury's research into 61 PFI projects were:

- 89 per cent of [PFI] projects were delivered on time or early;
- 77 per cent of public sector managers stated that their projects were meeting their initial expectations, i.e. the overall performance of the private sector partner was matching up to expectations at the time of contract close.

A study in 1999 by the UK National Audit Office found that only 30% of non-PFI major construction projects were delivered on time and only 27% were within budget, whereas the NAO's report on PFI construction performance showed that over 70% of PFI projects were delivered on time, and no construction cost overruns were borne by the public sector.

This record reflects a number of weaknesses that have beset public procurement in the past. In particular, the full costs of projects have not been calculated accurately beforehand, risk management procedures have not been implemented, and there have been insufficient incentives, for management or organisation-wide, to ensure that projects are driven forward successfully.

Source: HM Treasury "PFI: Meeting the Investment Challenge" July 2003

## Trusting the Private Sector

*"Private sector expertise and experience has always been utilised in public sector procurement, but, where in traditional procurement, private companies built and then walked away, PFI seeks to ensure that the private sector takes responsibility for the quality of design and construction it undertakes, and for long term maintenance on an asset, so that value-for-money is achieved."*

Source: HM Treasury (UK) July 2003.

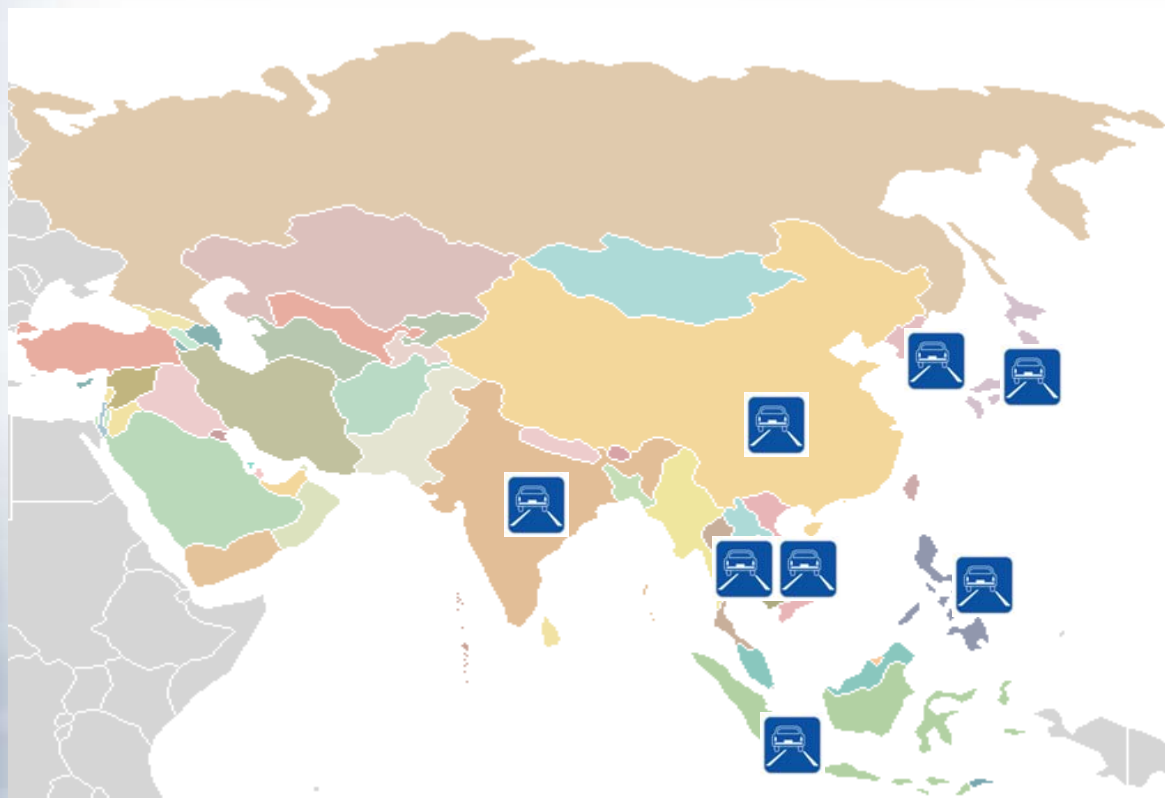
***" Sustained investment in infrastructure – especially transport infrastructure – is vital if Europe is to maintain its competitiveness against rapidly growing emerging economies. "***

Rt Hon Alistair Darling MP, UK Secretary of State for Transport at the 2005 PPP Transport Summit

Source: Delivering the PPP promise – A review of PPP issues and activity

PriceWaterhouseCoopers

# PPP Road Deals in Asia



Source: Infrastructure Journal database and others

# ADB – CAREC Transport Work

- **ADB TA No. 6347 – REG**
  - **CAREC Transport Sector Strategy Study**
  - **Draft final sector strategy report prepared Sept 2007**
  - **Proposed six principal transport corridors crossing the region**

# Six CAREC Transport Corridors



# ROAD TRAFFIC DENSITY IN THE 6 CAREC CORRIDORS



Source: ADB, CWRD

# The Challenge

- CAREC Countries
  - Priority Investment Needs (2005)

Afghanistan	1,317 km	US\$	331
Azerbaijan	355 km	US\$	160
China	1,443 km	US\$	1,430
Kazakhstan	4,567 km	US\$	1,579
Kyrgyz	1,589 km	US\$	497
Mongolia	3,120 km	US\$	454
Tajikistan	1,118 km	US\$	102
Uzbekistan	966 km	US\$	480
<b>Total</b>	<b>14,475 km</b>	<b>US\$</b>	<b>5,033</b>

Source: 7<sup>th</sup> CAREC Transport Coordinating Committee Meeting, "Asian Highway and Trans-Asian Railway, Backbone for Regional Transport Corridors" UNESCAP

# Manila MNTC



Source: MNTC website and others

# For More Information

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