

PUBLIC PRIVATE PARTNERSHIP WORKSHOP

Asian Development Bank Institute

Robert Bestani

Director General - Private Sector Finance

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IT IS NOT ABOUT THE MONEY!

- Creation of the capital markets
 - \$4 Trillion - \$7 Trillion in surplus funds
 - Savings Rate in the DMCs higher than the donor countries
 - McKinsey Global Institute - \$140 TRILLION in surplus money available in capital markets
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ENORMOUS NEED FOR DEVELOPMENT FUNDS

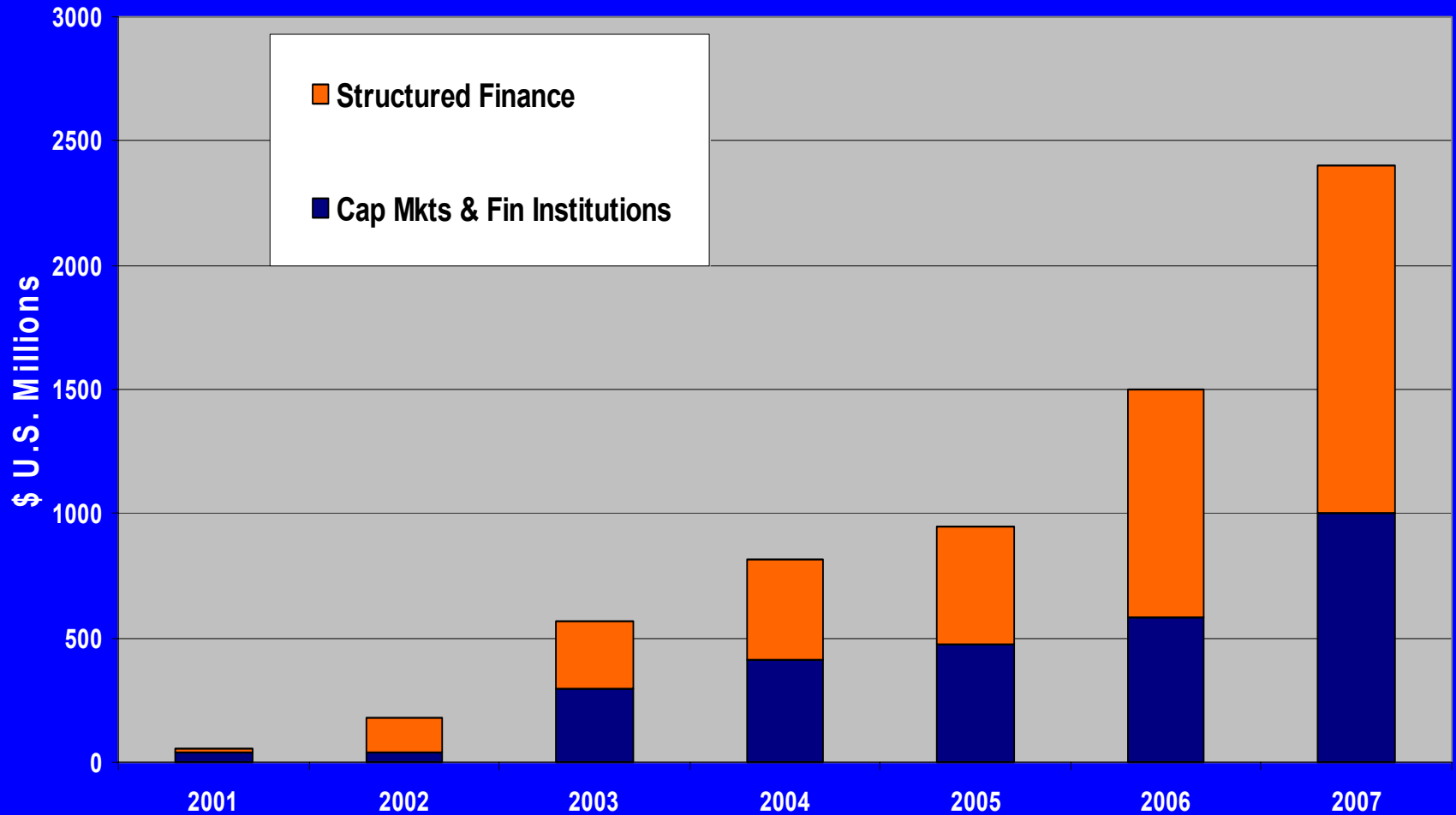
- \$300 - \$350 Billion per year in investments needed just for infrastructure spending
 - Trillions needed for housing finance
 - OECD countries – 52% to 56% per year
 - Emerging countries – less than 2% per year
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FUTURE ROLE OF THE MDBs

- Less as old fashioned commercial banks
 - More as investment catalysts (intermediaries)
 - More PUBLIC PRIVATE PARTNERSHIP
 - More private sector orientation
 - More technical/knowledge banks
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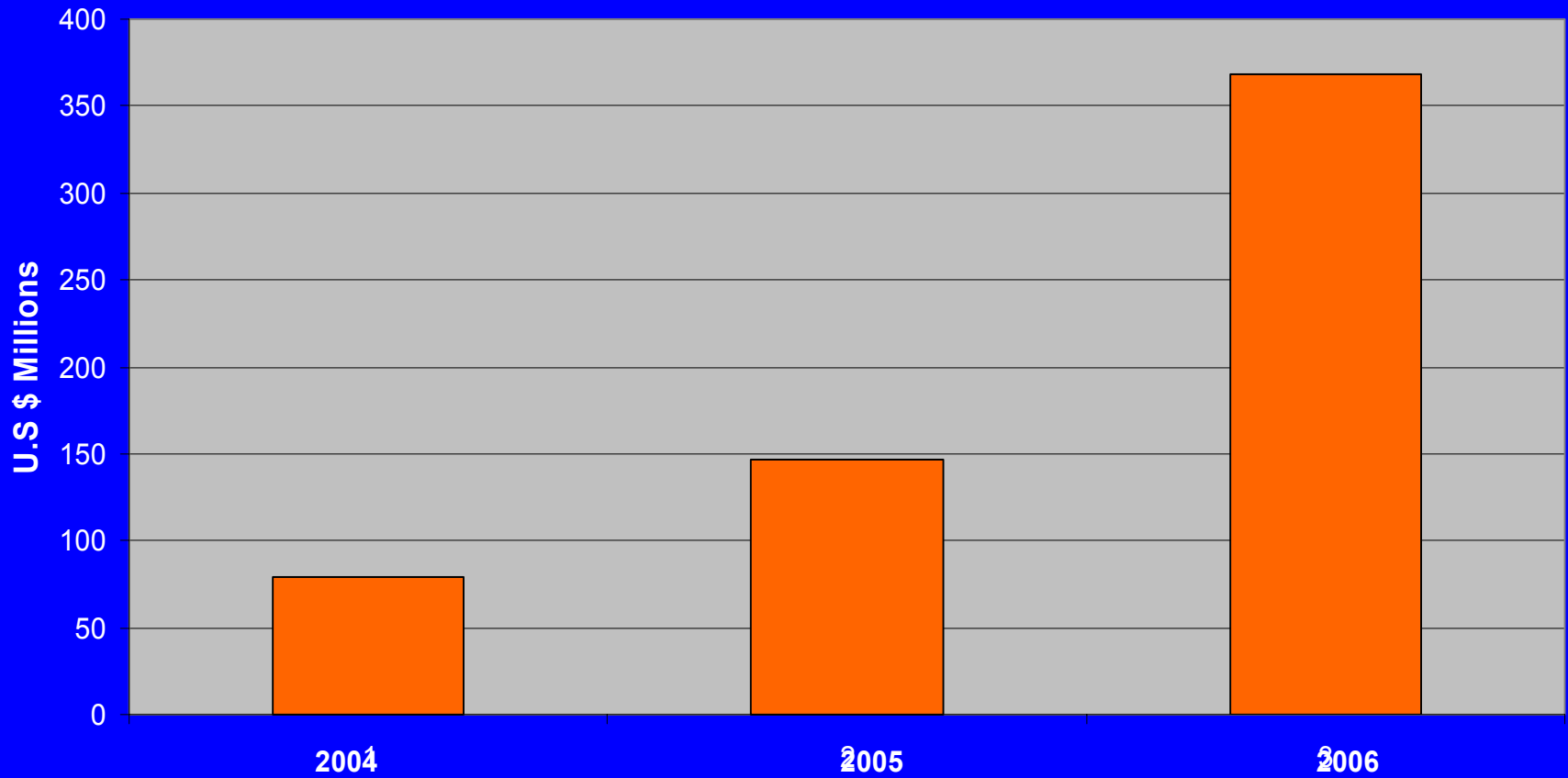
PRIVATE SECTOR FINANCINGS 2001 THRU 2006

PRIVATE SECTOR - TOTAL FINANCING ACTIVITY



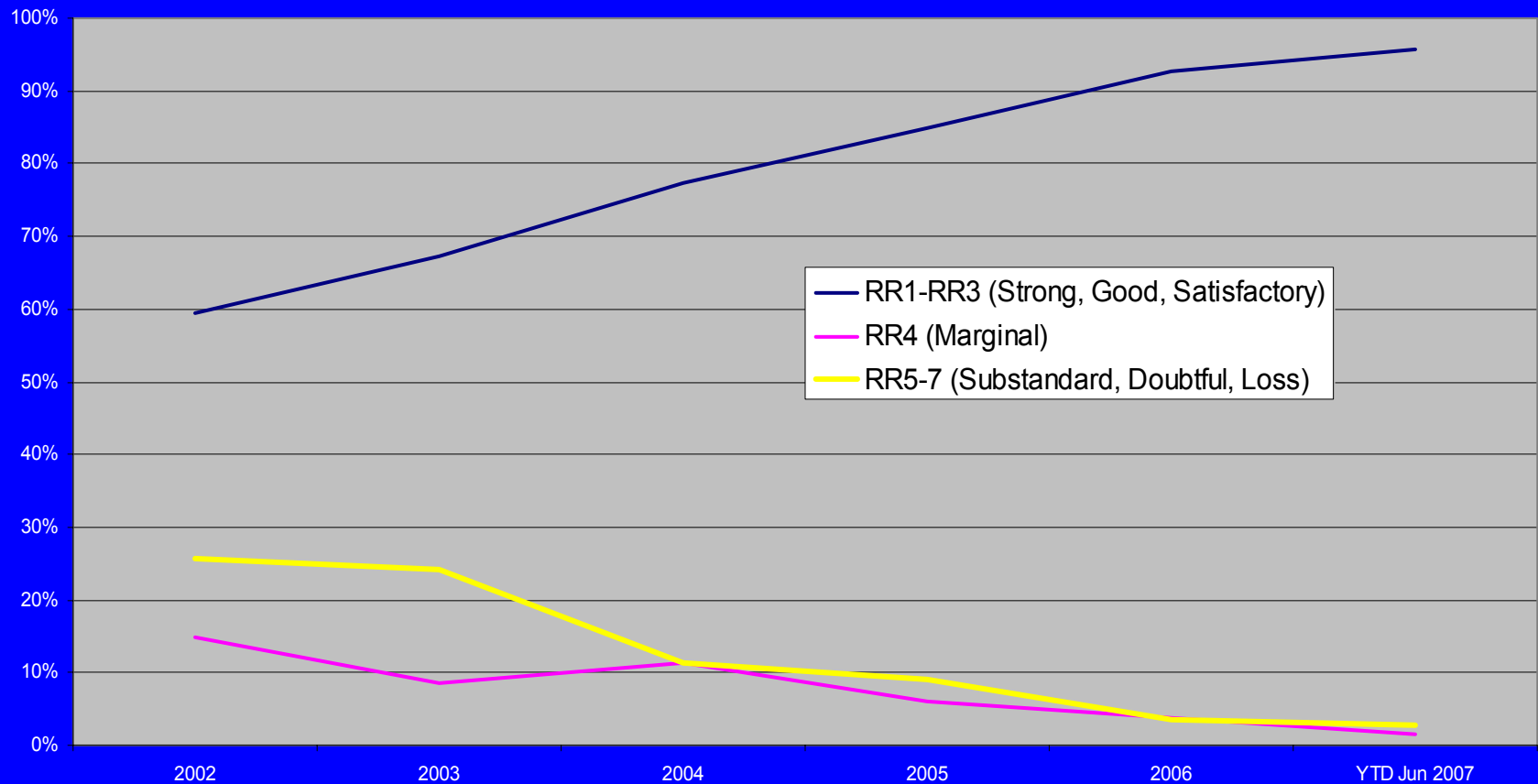
ADB PRIVATE SECTOR FINANCE

ADB's Private Sector Earnings



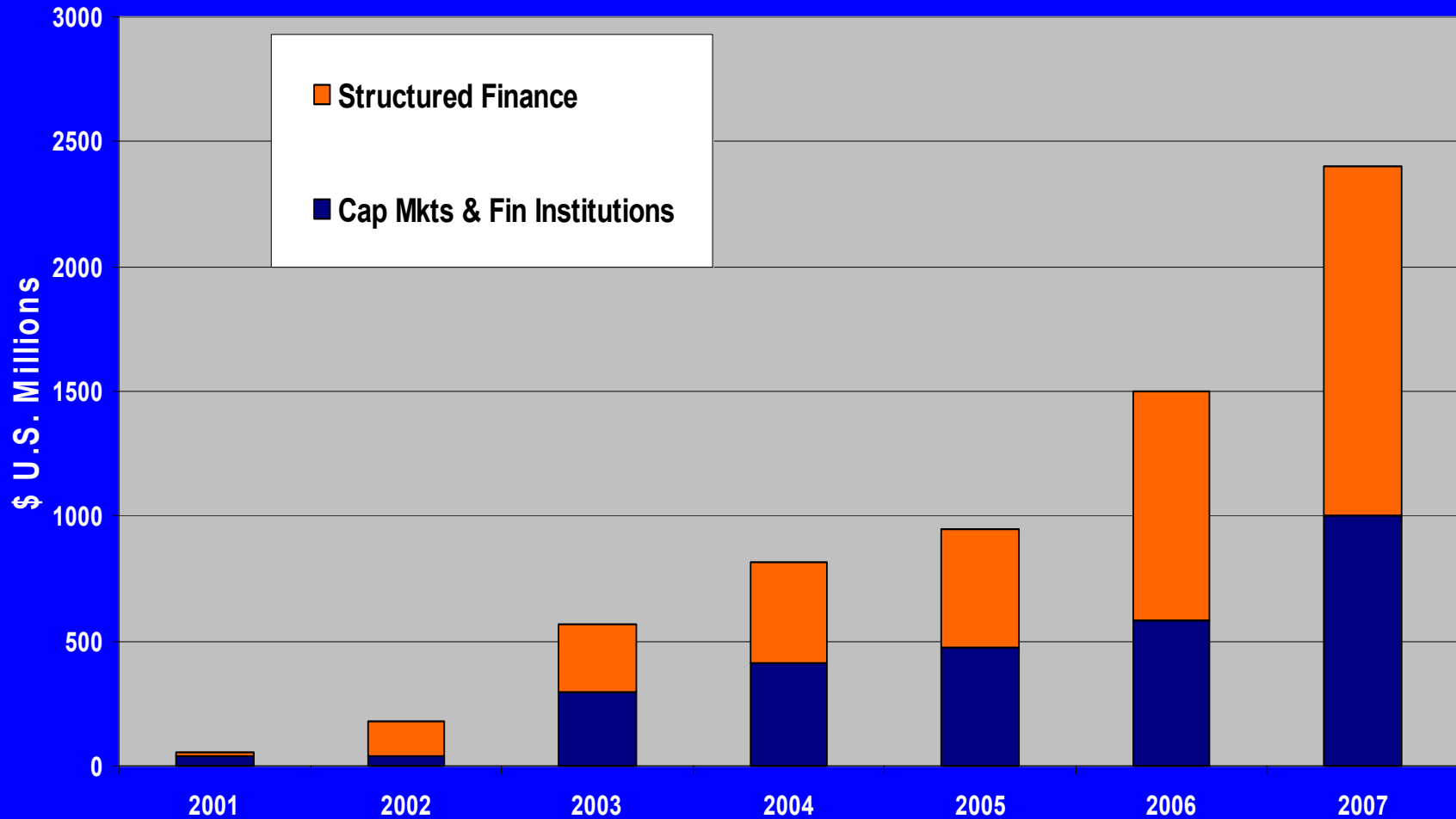
PORTFOLIO QUALITY – 2002 THRU 2007

Outstanding Portfolio Balances
(% of Total Portfolio)



PRIVATE SECTOR FINANCINGS 2001 THRU 2006

PRIVATE SECTOR - TOTAL FINANCING ACTIVITY



PRIVATE SECTOR DEVELOPMENT

The ADB Private Sector is Being Very Successful At a Time When:

- Private Sector Banks Are Struggling
- Banking System Is Flush With Liquidity

WHY?

PRIVATE SECTOR DEVELOPMENT

Why Does Private Sector Come To ADB?

- Not low cost money – market terms
- Not better credit terms – not LOLR
- Not an easier/short approval process

In short - no preferred terms

PRIVATE SECTOR DEVELOPMENT

Important Factors


- Asian institution
- “One stop shopping”
- Decision making in region



THESE ARE NOT UNIQUE ADVANTAGES

PRIVATE SECTOR DEVELOPMENT

ADB is an attractive partner in transactions

- “If ADB is in, we are in; if ADB is out we are out”
 - “The first dollar is the hardest to get; ADB is often the needed catalyst”
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WHAT IS OUR CORE
PRODUCT ??




WHAT IS OUR CORE
PRODUCT ??

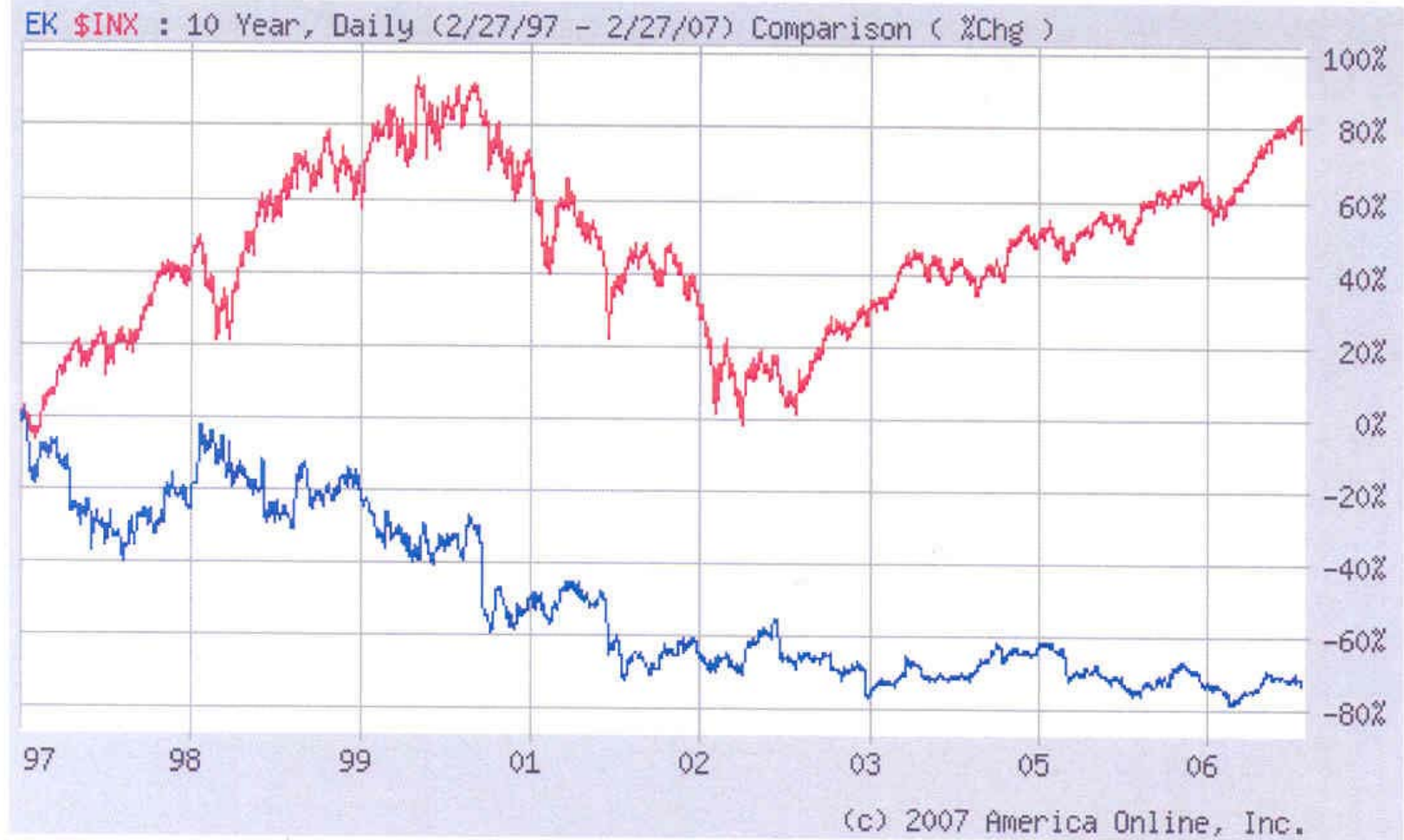
AS A BANK OUR CORE
PRODUCT IS NOT MONEY



PRIVATE SECTOR FINANCE

- Debt
 - Equity
 - Mezzanine
 - Guarantees
 - Long term, fixed rate, local currency
 - Political risk insurance
- 

EASTMAN KODAK – SHARE PRICE 1997 - 2007



PRIVATE SECTOR DEVELOPMENT

STRATEGY → INSTRUMENTS

STRATEGY ← INSTRUMENTS



PRIVATE SECTOR DEVELOPMENT

STRATEGY → INSTRUMENTS

~~STRATEGY → INSTRUMENTS~~



PRIVATE SECTOR DEVELOPMENT

WHAT IS ADB'S REAL "PRODUCT"?

- Risk Mitigation
- Regulatory Dialogue
- Technical Expertise

**ADB is uniquely positioned in
these products**



CASE STUDIES

ADB's participation affords a measure of support from governmental interference

✓ **Kalanitisa in Sri Lanka**

Value system “certifies” projects on issues of environmental protection, good governance, etc.

✓ **BLCP in Thailand**

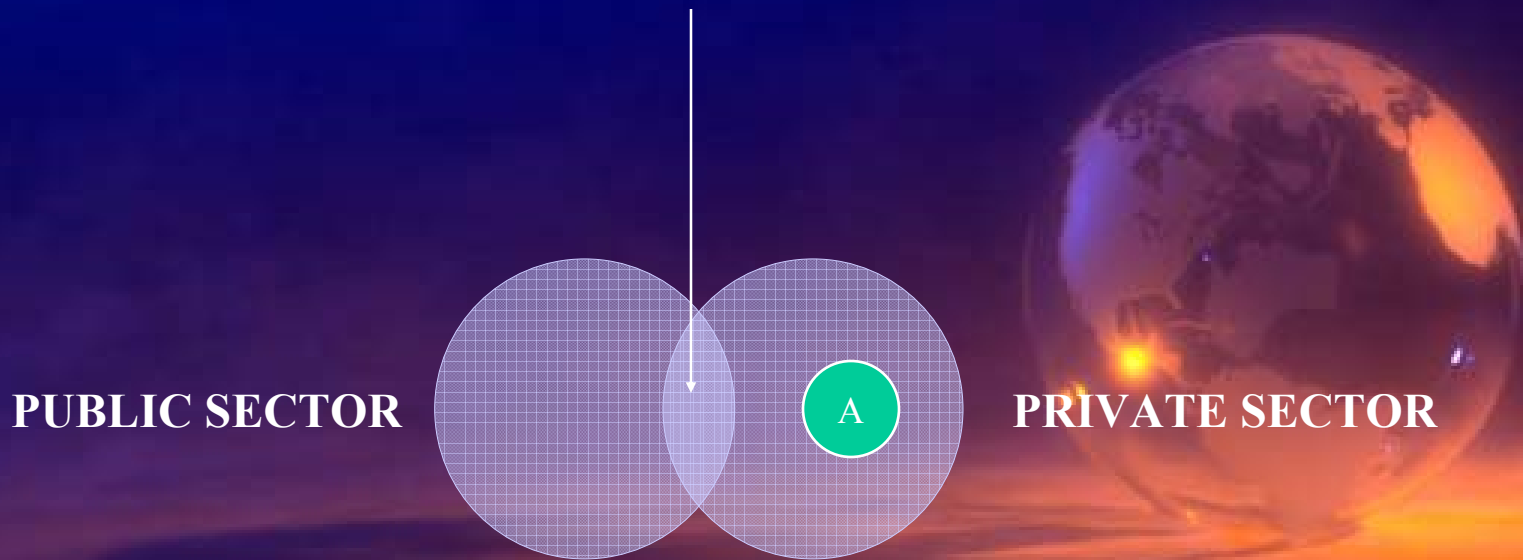
The Key To Our Success Is – THE ADB FLAG

- REPRESENTING 67 COUNTRIES
- ADB'S GOVERNMENT RELATIONS
- REPUTATION AS AN HONEST BROKER

PRIVATE SECTOR DEPARTMENT

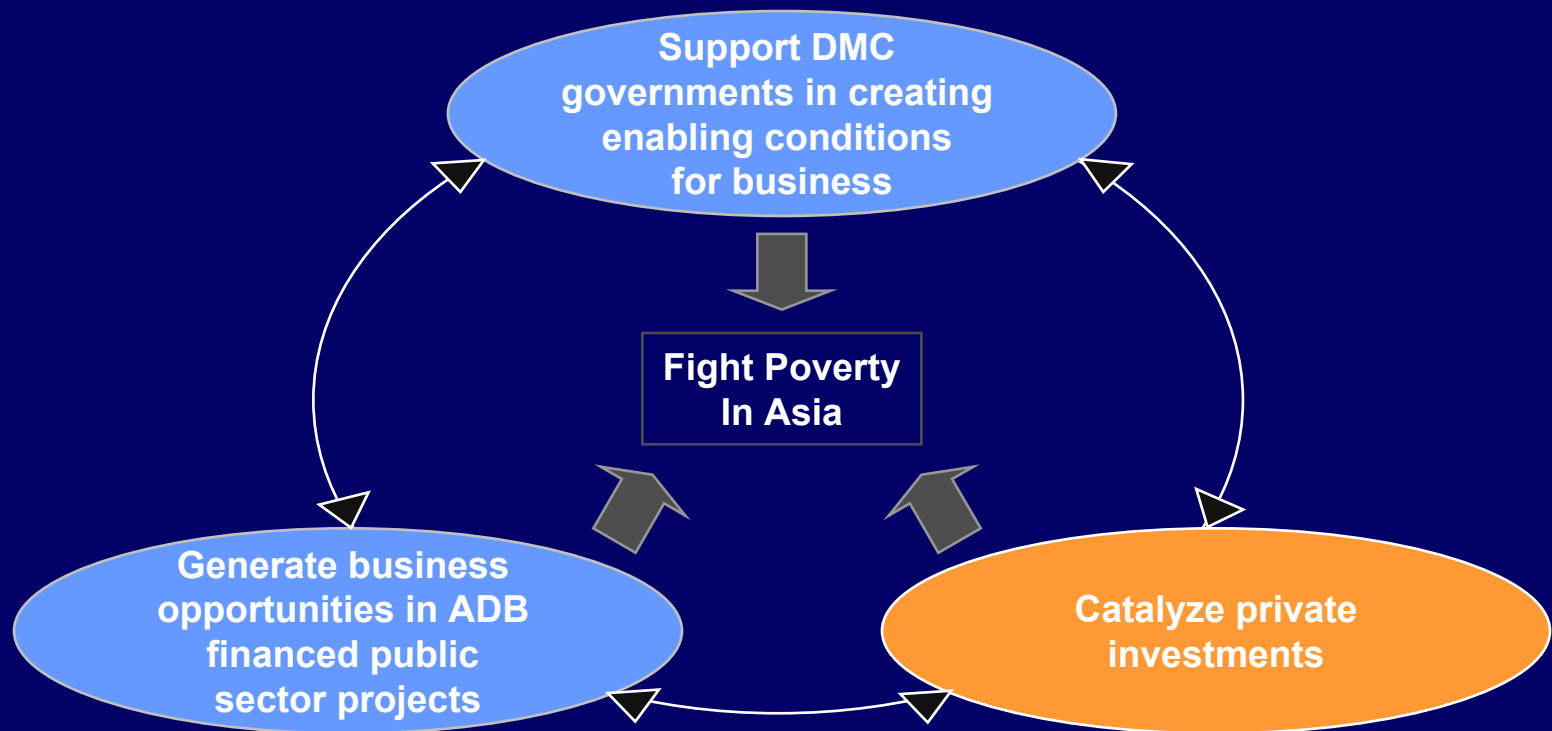
PSD'S ROLE


PSD'S CORE MARKET NICHE



PRIVATE SECTOR DEVELOPMENT

ADB Strategic Thrusts (1)



-  ADB Public Sector Thrusts
-  ADB Private Sector Thrusts

1) Source: Private Sector Development Strategy, March 2000.

PUBLIC SECTOR
Government Dialogue



Private Sector Development



PRIVATE SECTOR
On the Ground Experience

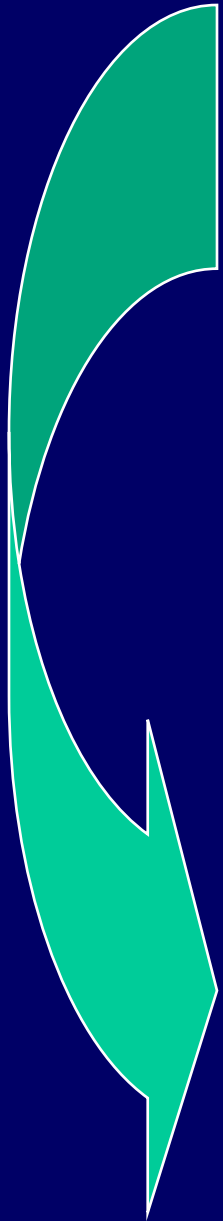
PUBLIC SECTOR
Government Dialogue



Private Sector Development



PRIVATE SECTOR
On the Ground Experience



PRIVATE SECTOR DEVELOPMENT



Public – Private
Partnership is the
Key Advantage
of the ADB

It is the
Fundamental Key
to Our Success

PRIVATE SECTOR DEVELOPMENT

CORE OPERATIONS

Infrastructure

- Power
- Water
- Telecom
- Ports
- Roads
- Municipal Finance
- SOEs

Financial Services

- Investment Funds
- Trade Finance
- Housing
- SME Finance
- Restructuring
- Payment Systems



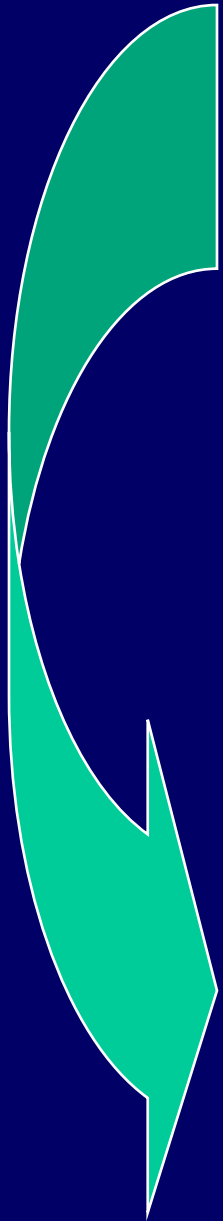
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Private Sector Development

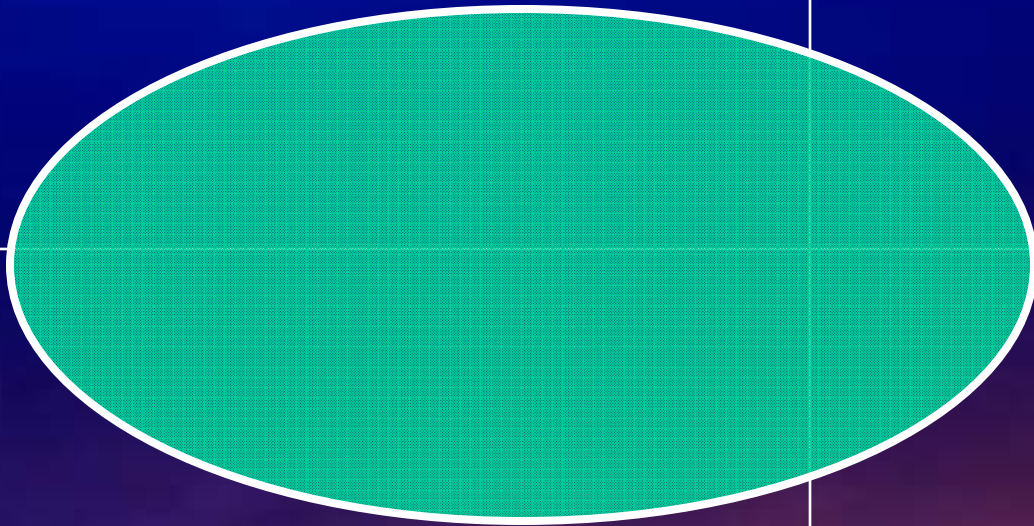


PRIVATE SECTOR
On the Ground Experience



SUPPLY OF FUNDS

DEMAND FOR FUNDS



Financial Intermediation

“Financing Gap”

- Technical Assistance
- Risk Mitigation
- Good Governance
- Environmental Soundness
- Public Private Partnership

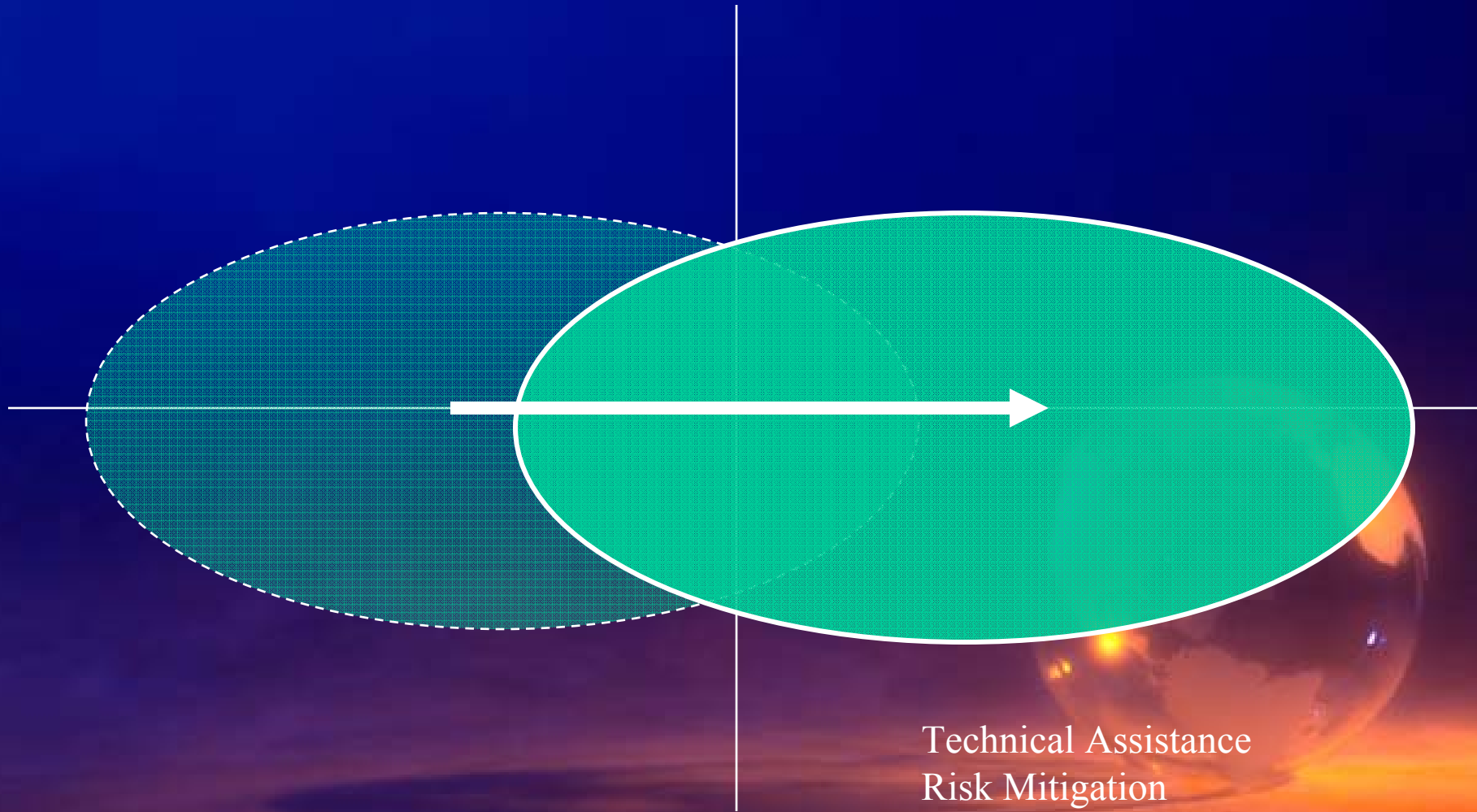
SUPPLY OF FUNDS

DEMAND FOR FUNDS

Financial Intermediation

“Financing Gap”

Technical Assistance
Risk Mitigation
Good Governance
Environmental Soundness
Public Private Partnership



THREE POINTS TO REMEMBER

➤ It is not about the money

- There is plenty of money around

➤ It is not about the money

- It is about lowering the risks

➤ It is not about the money

- Only Public Private Partnership can lower the risk



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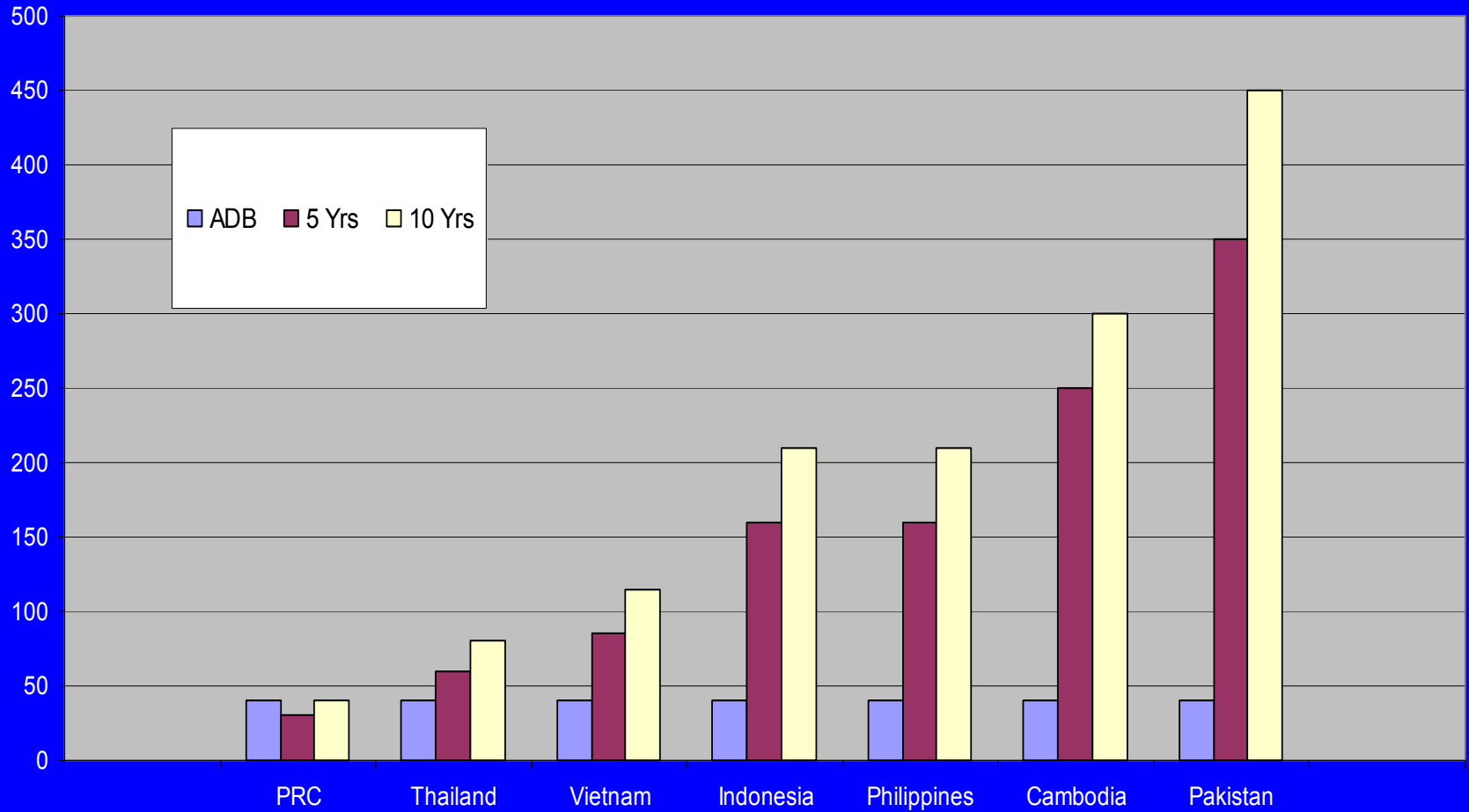
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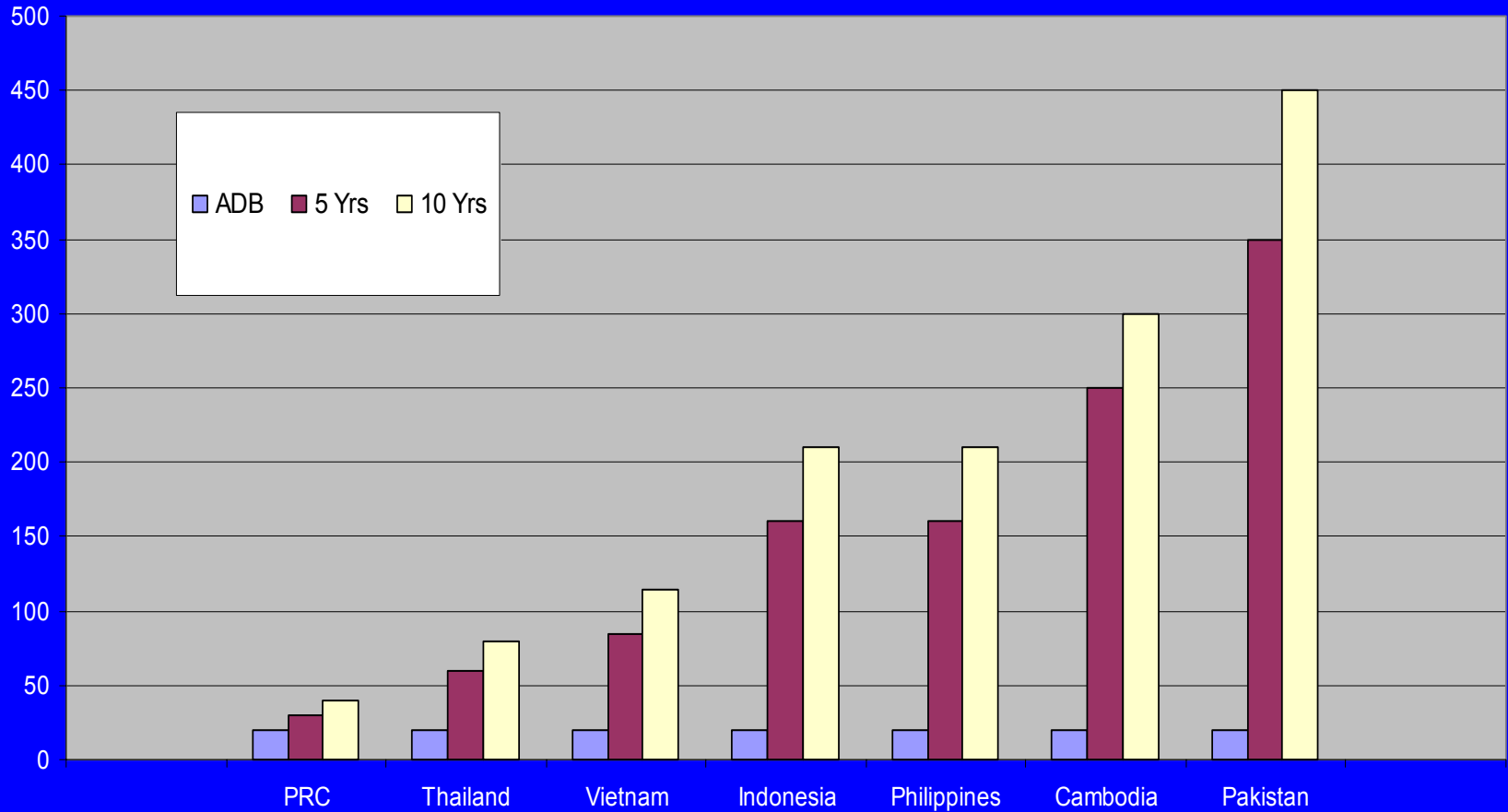
ADB's Business Model

Spreads Over Libor



MDB's Business Model

Spreads Over Libor



MDB's Business Model

Spreads Over Libor

