

**Asian Development Bank Institute  
CBT Workshop**

***Strengthening Private Sector Participation and Investment  
in Physical Infrastructure  
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**Closing Remarks  
by  
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Ladies and Gentlemen:

Over the past four days, we have heard the views of the private sector on how they look at infrastructure investment as an asset class and also shared the experiences of policy makers around the region on the implementation of their infrastructure projects and lessons learned from their successes as well as failures.

Since the main objective of this workshop is to find ways to promote PPP by enhancing the “bankability” of the infrastructure projects, we have taken a demand oriented approach and tried to see things from private sector’s perspectives.

I believe the key message that has been highlighted again and again is that the issue is not the lack of money, both in terms of FDI and local funds, even in some developing countries, savings are abundant, but they are not channeled to invest in infrastructure projects.

The reason for this is not that the investment community lacks awareness of these projects but the issue is that the risk/return profile of the projects may not meet the investment criteria of the private investors.

By design, the government builds public infrastructure to provide its services to as many people as they could at the lowest price they can afford. This means the return on these projects are not usually high, particularly if social values of these projects are not taken into account.

The suggestion is therefore to focus on how to mitigate the risks of the projects through creating an enabling environment as well as some risk sharing schemes that would lower the risks to be borne by the private partners to an appropriate level.

These enabling environment include:

- Stable macroeconomic outlook,
- Easily understood and predictable institutional, legal and regulatory framework,

- Simple and transparent procurement process, preferably by a central procurement agency,
- Well planned infrastructure networks across all sectors, and within each sector, such as transport, across all modes, including clearly establishing inter-connectivity among them,
- Relatively well developed capital market, particularly the bond market to facilitate L-T fund raising in local currency, and
- Relatively well developed pension fund and insurance industries, whose L-T investment horizons better match those of the infrastructure projects, and perhaps regulatory framework that facilitates and promotes their investment in these projects.

Another source of risk is the possibility that actual revenues or cash flows to be generated over the life of the project do not match the projection.

From the government side, this risk can be mitigated by:

- Conducting a good feasibility study, with projection that is based on accurate and reliable data as well as realistic assumptions,
- Building into the contract some flexibility such as a provision to extend the concession period if the traffic or revenue projection fails to materialize, and
- Providing some contingent guarantee or subsidy

To borrow the analogy made by our keynote speaker, I therefore hope that the ideas and suggestions above, including many more that were raised and discussed during the workshop, would help you open the right door and reach the right partner for your infrastructure projects.

I also hope that you can take advantage of the networking among the participating policy makers, our partner institutes as well as the private sector investors, most of whom are our resource speakers, to further enhance the bankability of these projects.

This has been an intensive four day workshop. Many ideas and issues raised are the fruits of active collaboration and contributions by all participating policy makers and resource speakers for which the whole capacity building and training team at the ADBI is most grateful.

And after all your hard work, we hope that you can find the time to explore and enjoy Tokyo for the remainder of your stay here and for those who are leaving this afternoon we wish you a safe and pleasant journey home.

Thank you.