

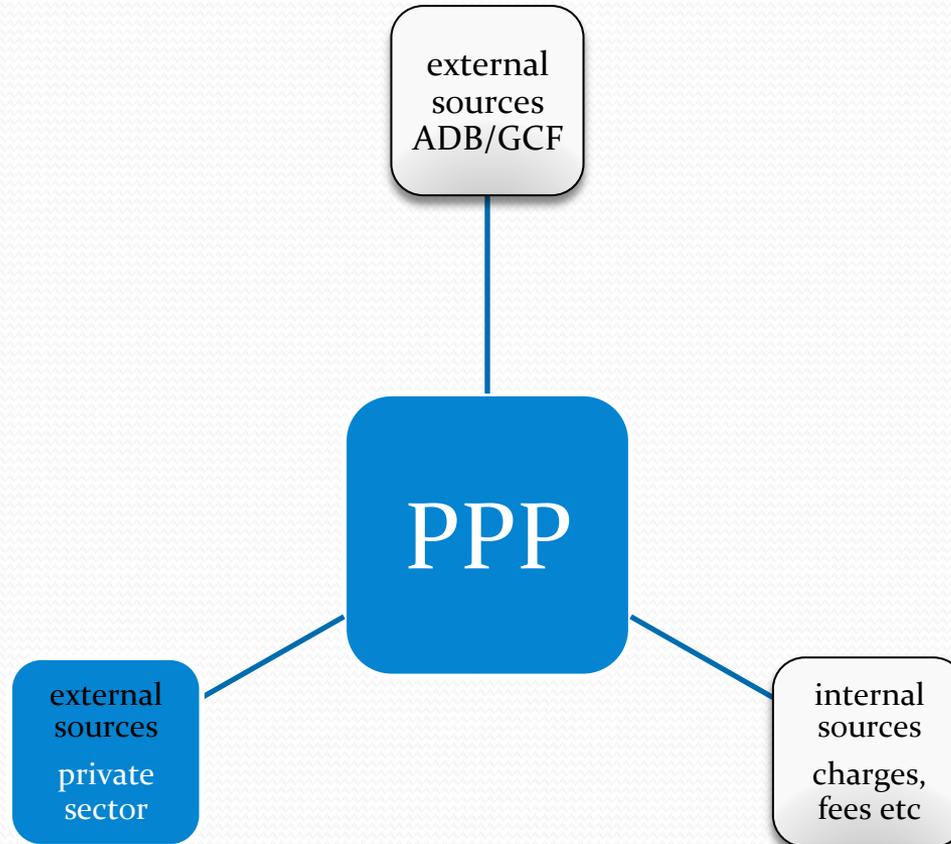
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# Session 6: Climate and Innovative Financing Options

Maximizing the input from the private sector

UZ-Consult Ute Zimmermann

# Where are we?

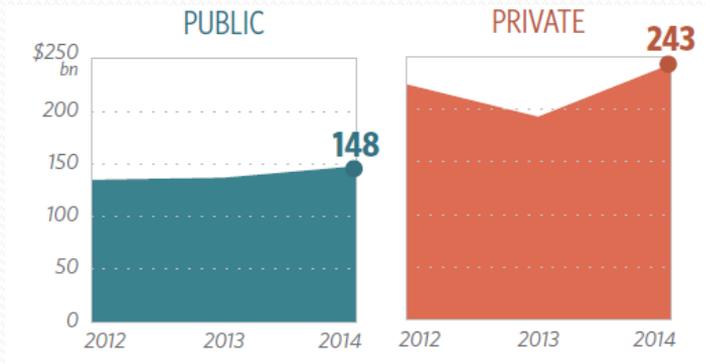


# Questions to the audience

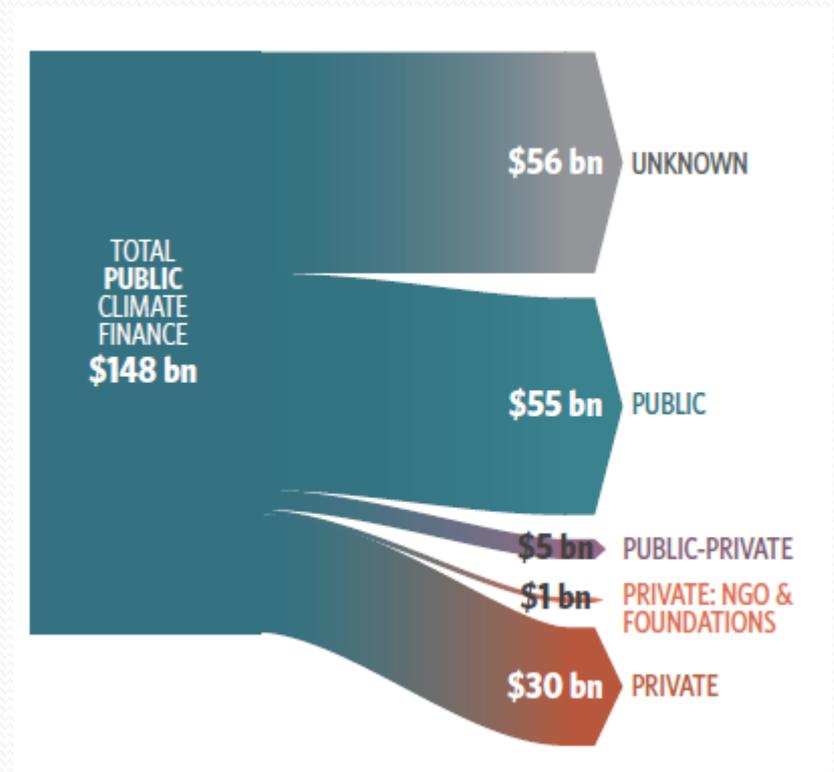
1. Who of you has thought about using PPPs as a means to finance urban infrastructure?
2. Who of you considered amending the national framework to accommodate PPPs or even started to do so?
3. Who of you have started contacting private sector companies?

# Importance of leveraging private sector finance

## Sources of Finance



## Recipients of Finance



# Precondition for private sector finance

1. The business case for the private sector needs to be convincing
2. The return on equity needs to be clearly defined
3. The risk for the private sector needs to be containable

# Challenges for private sector in urban green infrastructure

- Market for urban green finance fragmented + relatively small market
- Relatively high cost for clean technologies + quick development of new technologies
- Capacity in municipalities to deal with complex project structures
- Developed law and regulatory framework

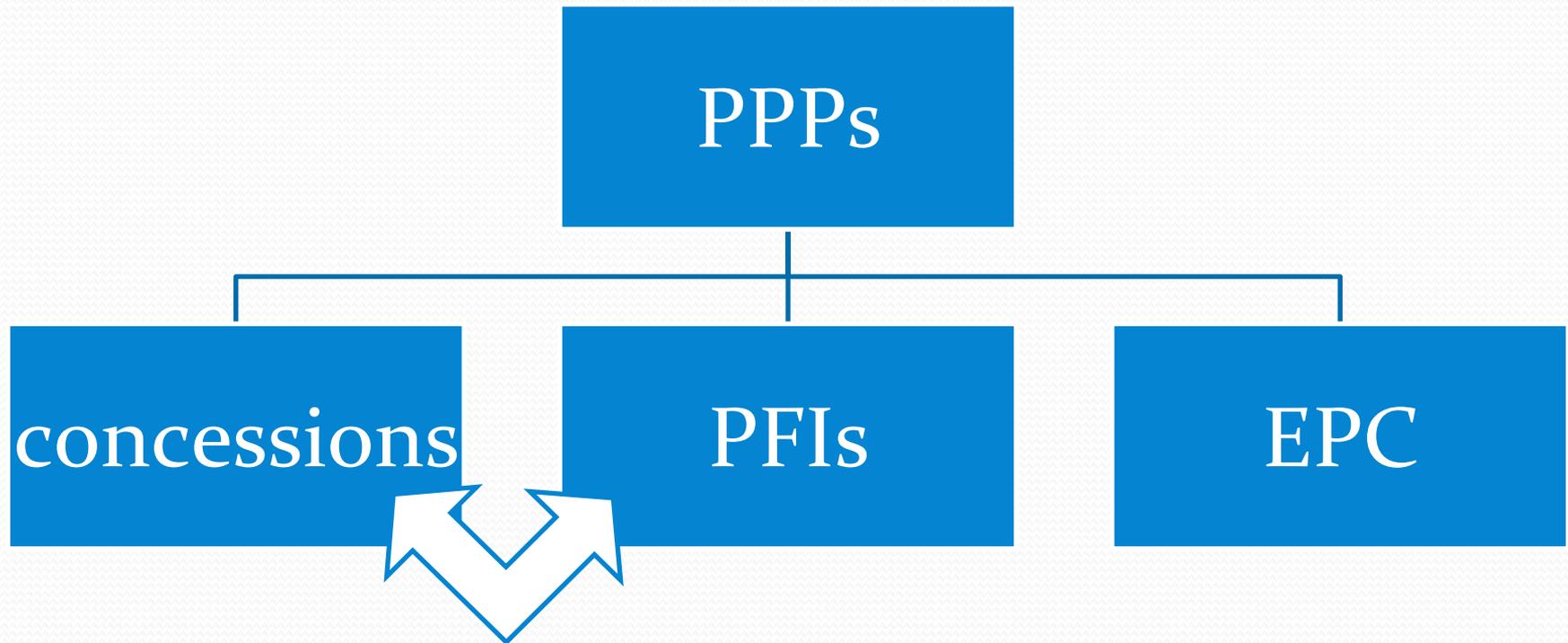


Korea  
example

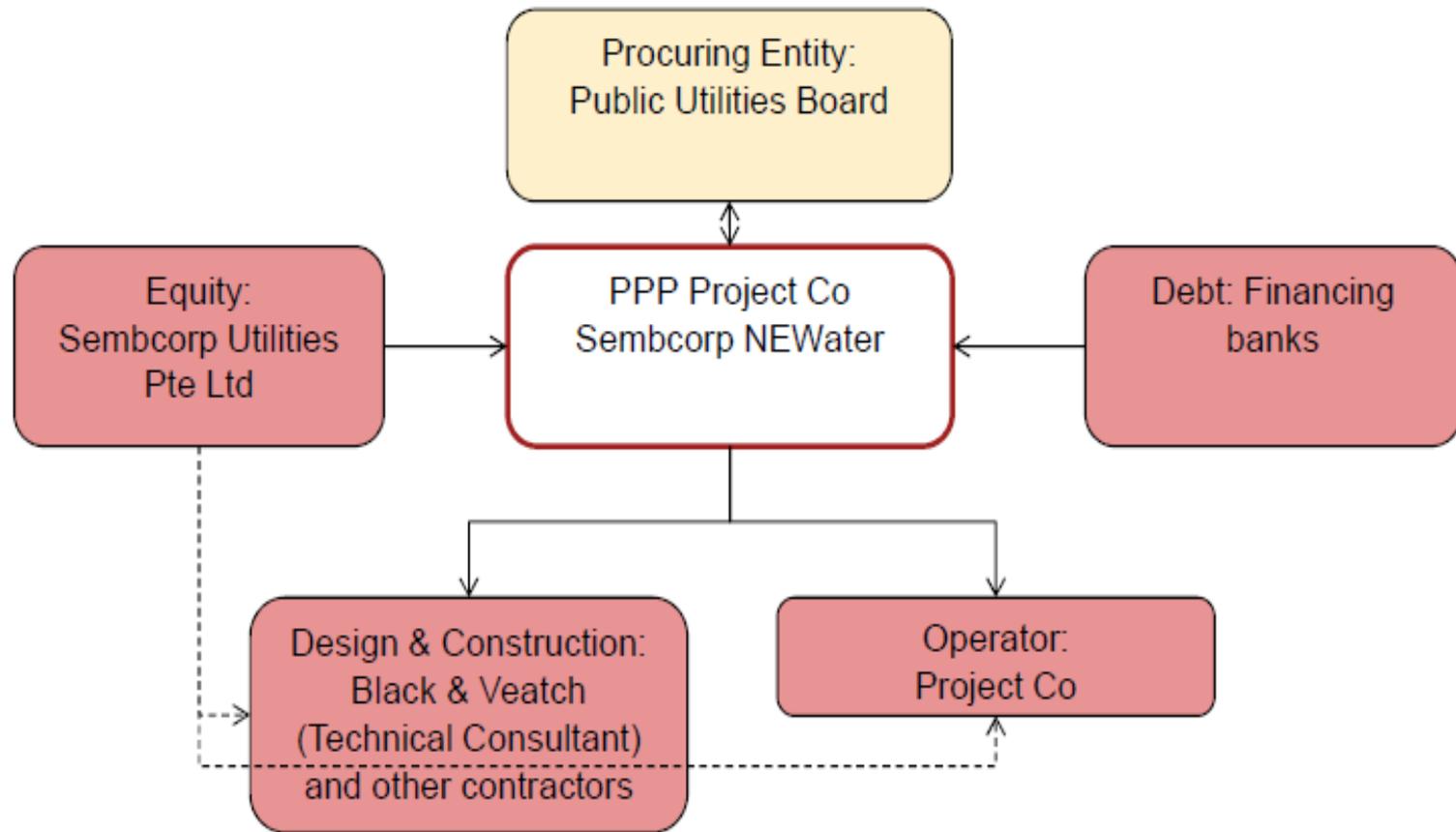
# Project variety of municipal infrastructure

- Transportation: Bicycle lanes, Bus Rapid Transit, Electro mobility, roads....
- Water and Sanitation: recycling of waste water, storm water, water treatment, waste management...
- Energy: Renewable energy, Energy saving, Street lightning ...
- Parks and recreation....
- Public buildings, schools, hospitals, prisons ....

# Maximizing private sector input for green urban infrastructure

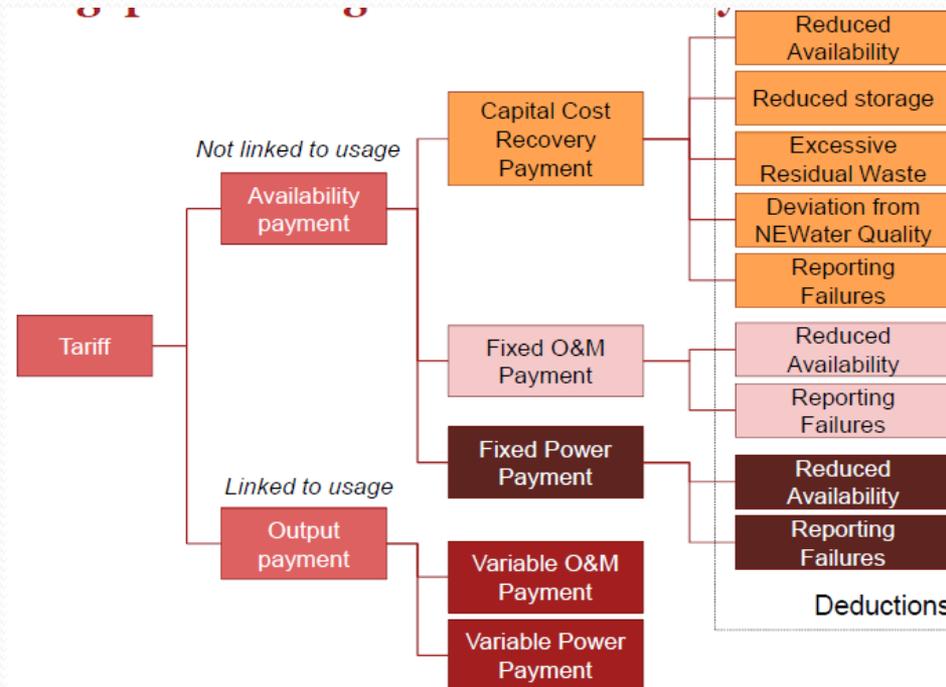


## Commercial Structure



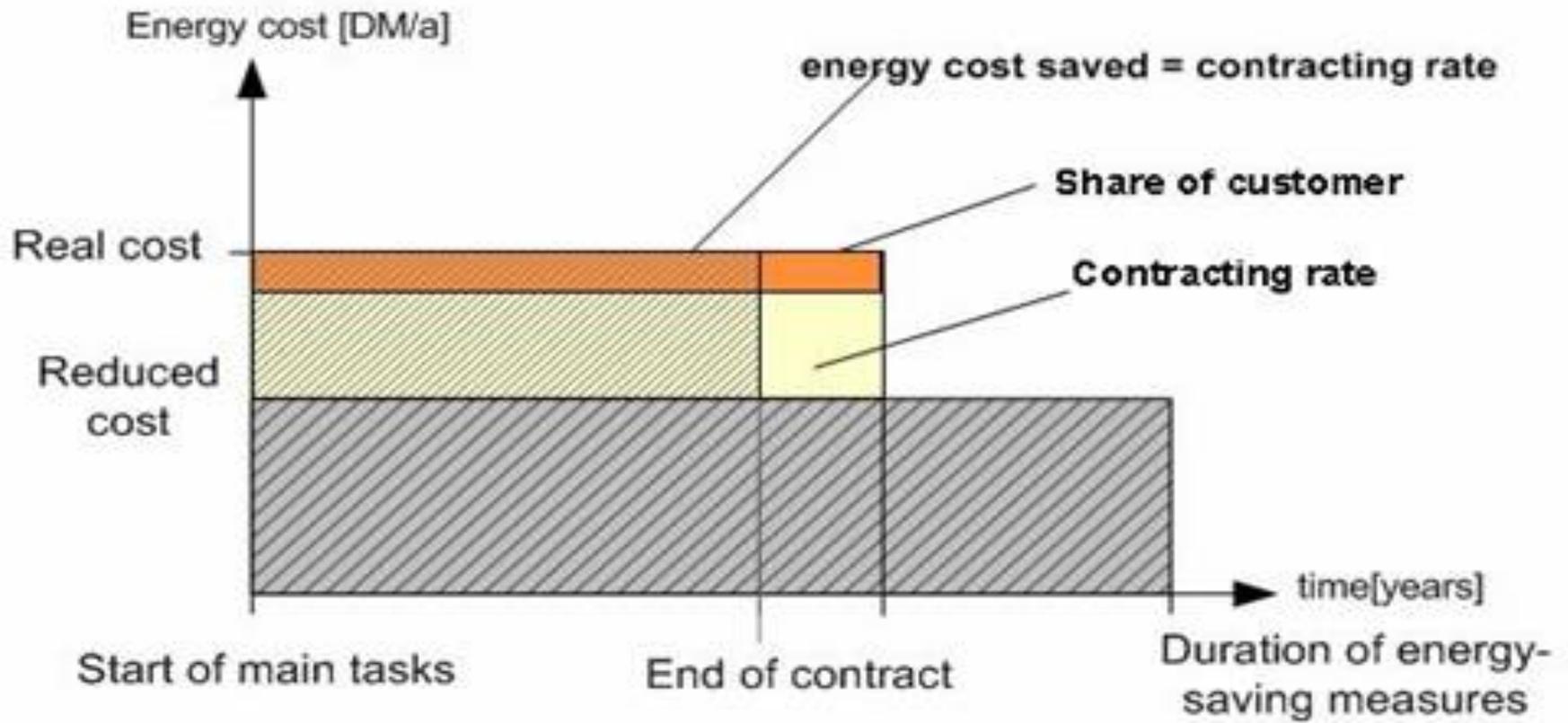
Source: PWC

# Payment mechanism of Changi New Water: concession +PFI



Source: PWC

# EPC contract



Source: EU Joint Research Center <http://iet.jrc.ec.europa.eu/energyefficiency/european-energy-service-companies/energy-performance-contracting>

# ADB's PSOD

## Instruments

- Loans and other Debt Instruments
- Equity investments
- Guarantees
- B loan/lender of record
- TAs

# ADB PSOD criteria

To be eligible for ADB nonsovereign financing, the proposed recipient must be:

- an entity wholly owned or controlled by one or more private entities;
- an entity, wholly owned or controlled by a sovereign, undertaking commercial activities (subsovereign and other public sector entities);
- an entity, partially owned or controlled by one or more private entities and a sovereign, undertaking commercial activities; or
- a local government or other subsovereign entity (including municipalities and other forms of local government) that can contract and obtain financing independently from the sovereign; Provided,

in each case, the proposed recipient is:

- established and/or operating in a developing member country (DMC), and
- a legal entity that can sue and be sued

# Summary and closing

1. Maximizing private sector input in terms of innovative technical approaches, management experience and finance
2. Develop incentives for the private sector that accommodates green targets
3. Acknowledge that the risk-sharing mechanism between private and public sector leads to a new generation of PPPs
4. Take the long-term nature of PPPs into consideration and include flexible green targets which can be adapted over the years

Thank you very much!

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