



Webinar

Linking Cities To Finance

12 November 2015, 09:00 UTC/GMT



Transformation - Urban Opportunities - Climate Change (TUrbOCliC)

Cross-sectoral group of the TUEWAS and SNGA network of GIZ





Programme

- **Welcome and Moderation**
Vaishali Nandan and Eva Ringhof, Joint Speakers of TUrbOClIC
- **Presentations**
 - **Introductory Remarks – Linking Cities to Finance**
Meg Yandoc, Communication Specialist, CDIA Philippines
 - **Financing urban development in China**
Zhang Yu, Project Manager, CDIA China
 - **Scaling up jointly: Integrated Wastewater & Drainage Management in Vietnam**
Tim McGrath, Team Leader, GIZ Vietnam/
Alexandra Linden, CDIA Cluster coordinator Outreach & Capacity Development
 - **Urban Infrastructure Project Preparation and Financing under PPP in Pakistan**
Umair Ahmed Kamboh, Financial Specialist, Infrastructure Project Development Facility (IPDF) Pakistan
- **Discussion and Wrap-up**



Webinar: Linking Cities To Finance

Investing in Asia's urban future

Ms. Meg Yandoc

Communication Specialist, CDIA Philippines





What is CDIA?

CDIA is an international partnership initiative, established in 2007 by the Asian Development Bank and the Government of Germany, with additional funding support from the governments of Austria, Sweden, Switzerland, and the Shanghai Municipal Government.

FUNDED BY



SHANGHAI MUNICIPAL GOVERNMENT
上海市人民政府



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Federal Department of Economic Affairs,
Education and Research EAER
State Secretariat for Economic Affairs SECO

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Mandate

CDIA provides assistance to medium-sized Asian cities to bridge the gap between their development plans and the implementation of their infrastructure investments.



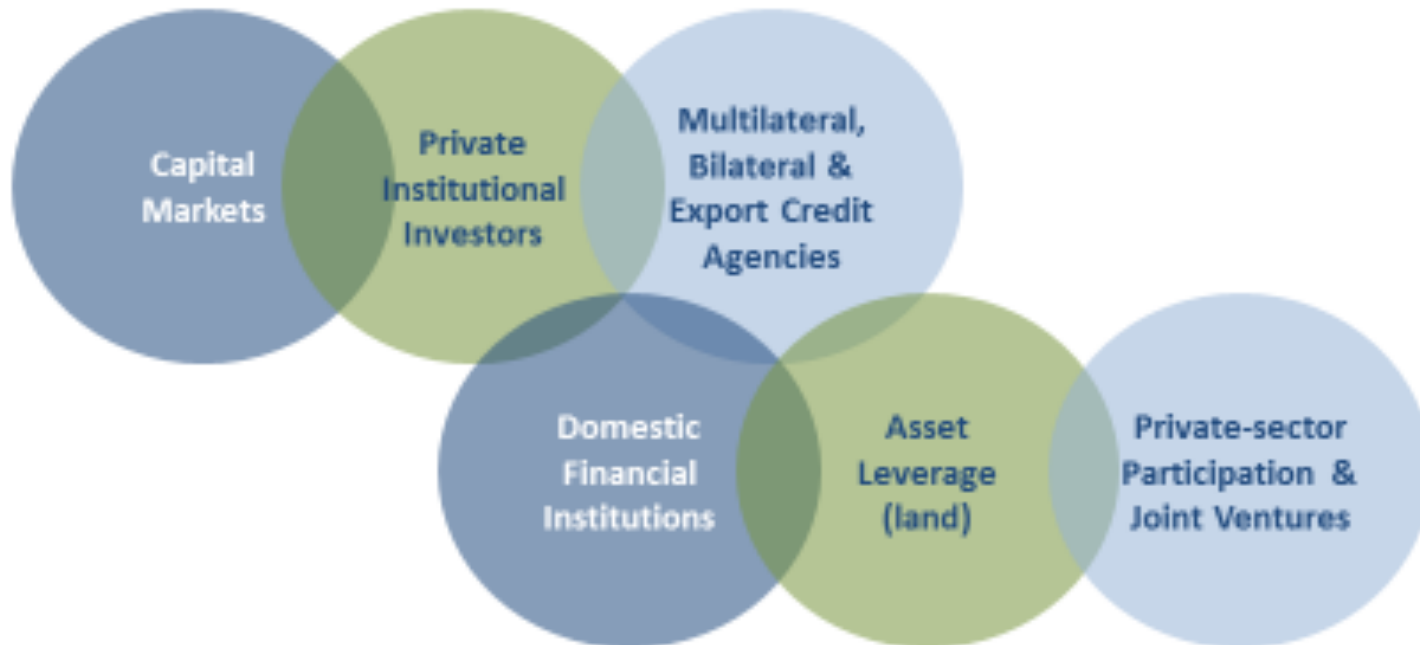
CDIA supports the identification and development of urban investment projects and links them with potential financiers.





Linking to Finance

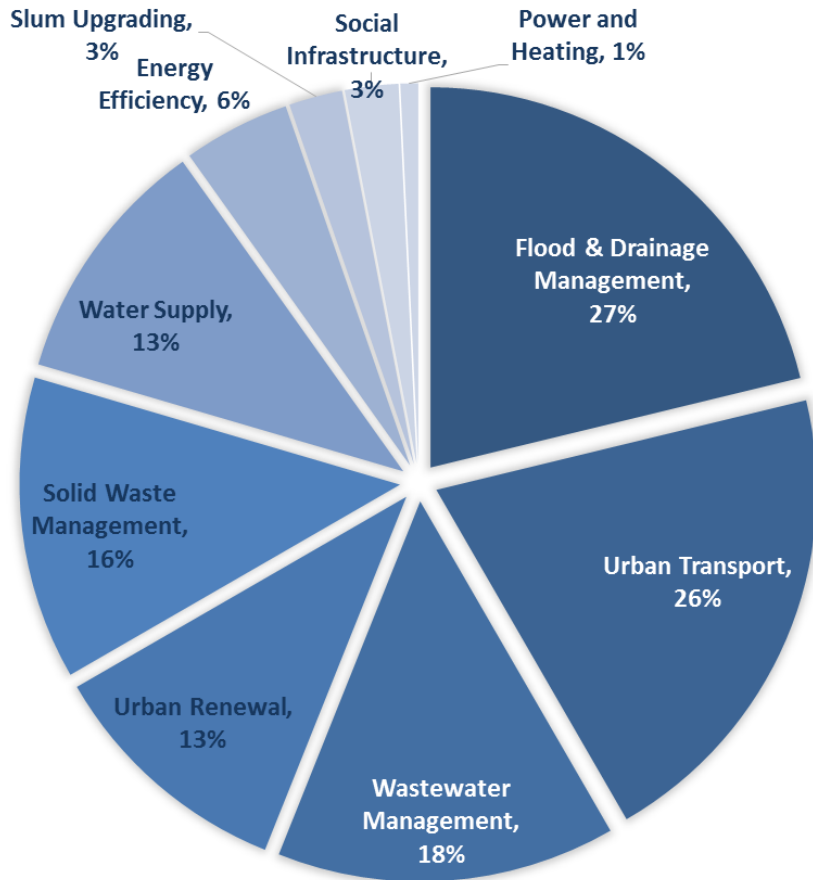
Alternative financing sources for urban infrastructure projects



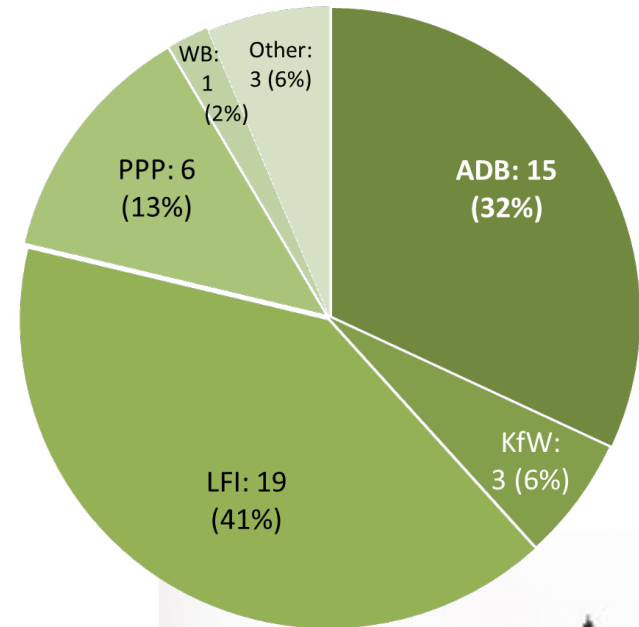
Source: KPMG Analysis, Linking Cities to Finance: Overcoming Bottlenecks to Financing Strategic Urban Infrastructure Investments, 27-28 September 2010, Shanghai, China



Pre-feasibility Study Sectors



PFS linked to finance per financing stream



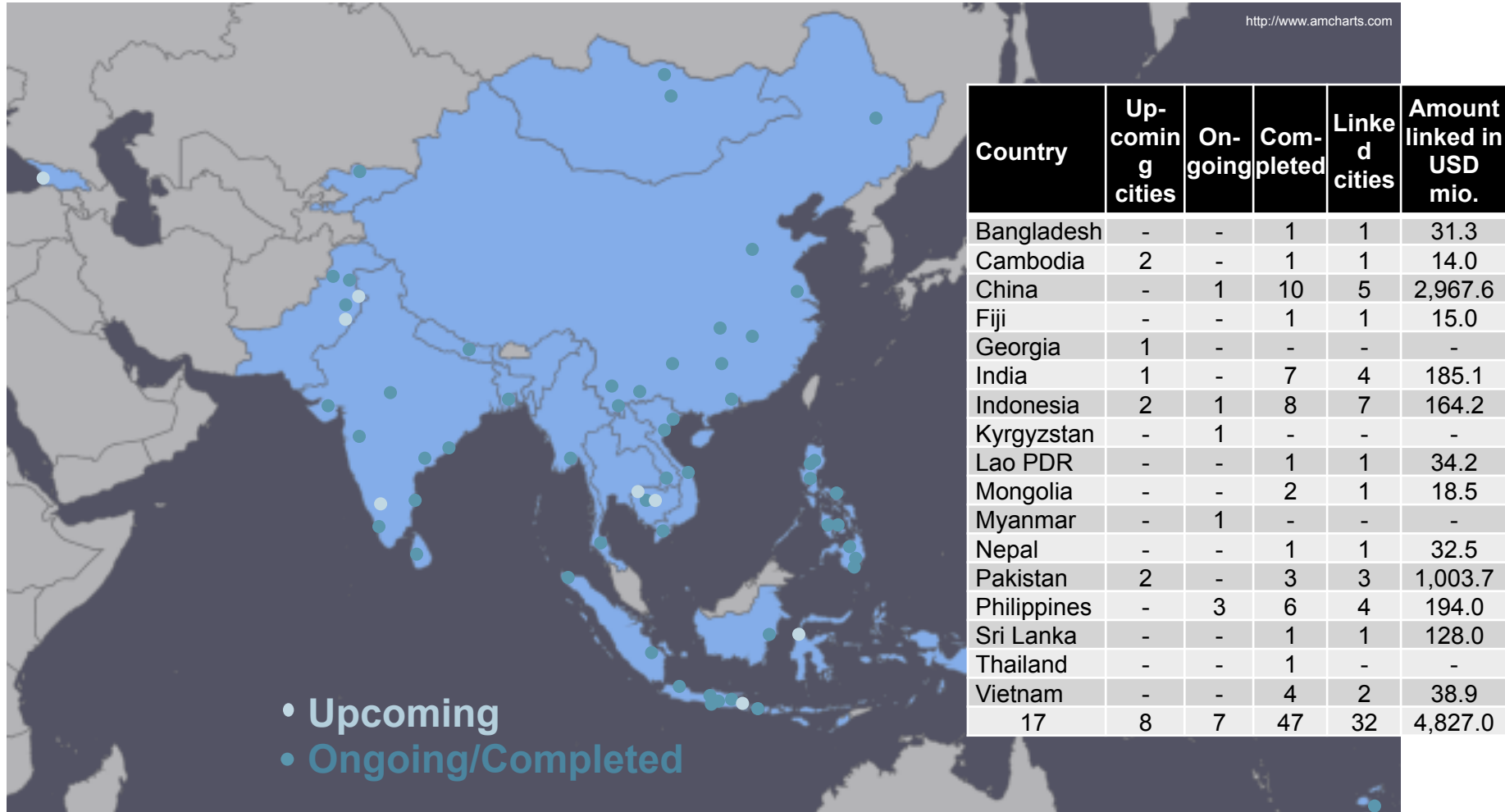
LFI:
national or local financing
institution (incl. city's own
resources)

Other:
1 commercial borrowing
2 AustralianAid





CDIA partner cities/PFS Interventions





How do financiers and CDIA work together?

Identifying cities (<http://cdia.asia/what-we-do/apply-for-support/>)

CDIA assists in prioritizing investments and packaging bankable projects

Joint fact finding missions

Discussions on Terms of Reference

Reviewing Inception/Interim/Draft Final Report

Linking to finance





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Cities Development Initiative for Asia

Investing in Asia's urban future

Thank You

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Urban Financing and PPP trend in China

Zhang Yu

Project Manager, CDIA China



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Recent Economic Development Trend in China



Continuously slowing down in the past 5 years, latest forecast 6.5%



Why PPP in China

Background:

- Government Debt high - clearance of government investment platforms since 2014
 - Slowing down economy needs new investment driver
 - Utilize the market power to enhance the quality and efficiency of infrastructure provision
 - As a tool to steer the innovations and transparency of governance
- September 2014 MOF issued first document regarding PPP promotion in China, since then PPP becomes a very hot topic in China



The Hot PPP

- December 2014, MOF (Ministry of Finance) 1st Group 30 PPP pilot projects, projects amounting 30Billion US\$
- October 2015, MOF 2nd Group 206 PPP pilot projects, projects amounting 110Billion US\$
- Similar numbers from NDRC (National Development and Reform Committee) side
- Above are only national level pilot projects
- There are at least 100 times number of PPP pilot projects at provincial and city level



Different Types of Fake PPPs

- Extended BT (road etc.)
- Commercial project:
real-estate development,
market place development
- Government steering funds,
sector investment funds



Major deficiencies in PPP in China

- Trust worthiness of Chinese Government (corruption/ unstable policies/commitment)
- Capability of market (as consortium)
- Financial Institute lacks real project financing experience
- Lack of competition, lack of base for VfM (Value for Money)
- Main focus on PPP contract signature, not payment attention on long run PPP quality
- Lack of really PPP specialists

→ Deficiencies also bring opportunities.....



CDIA Harbin PPP Case

1

Non-investors

Willing to work with HVTC
CV development,
professor training,
competitions,
scholarships, small-scale
production...

Will not invest in
infrastructure

Siemens, Media Group
from Beijing...

2

Investors in productive activities

Willing to produce on
campus

Willing to invest on
facilities that can produce
goods or services to be
sold to the general public

Logistics center, Hotel,
Supermarket, Garage...

Bus company...

3

Investors in educational facilities

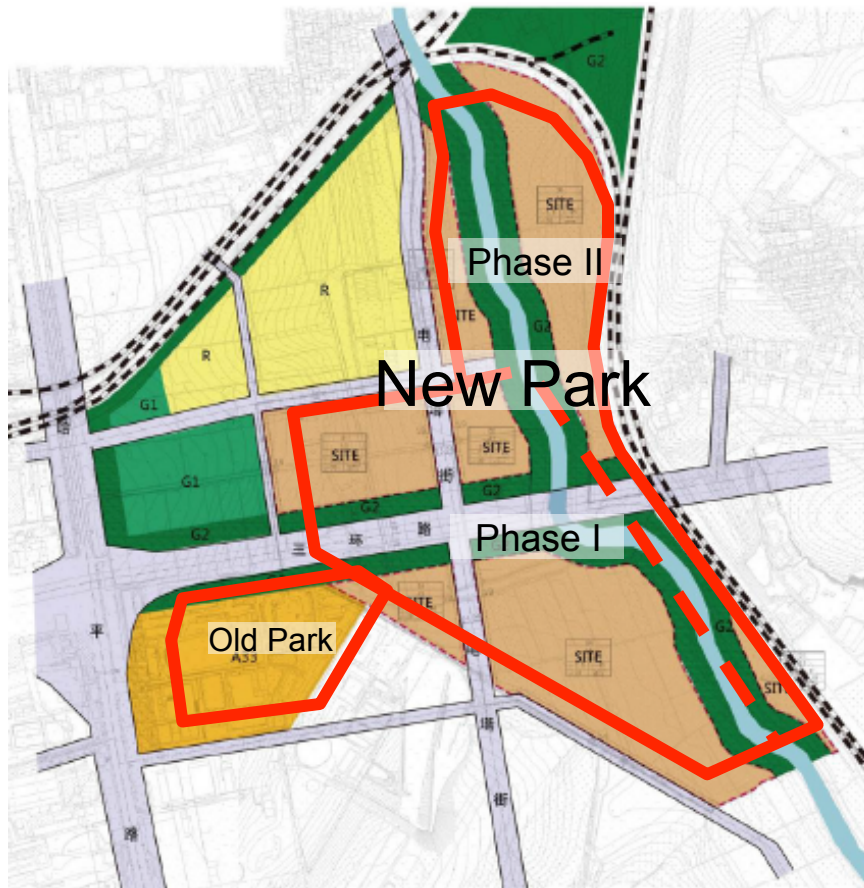
Willing to invest heavily in
the construction of
facilities that will not
produce goods or
commercial services

PPP Companies, Real
Estate developers ...





CDIA Harbin PPP Case



The new park will be developed in two independent phases.

Each phase will be delivered with a mixture of traditional procurement, PPP and other arrangements with the private sector.

PPP of phase I, with an estimated investment of **RMB 1,14 Billion (USD 186 Million)**



Private Sector Responsibilities

The private partner will be responsible for 11 buildings (154.000 m²) and the partial urbanization of the new park.

Under the proposed PPP scheme, the private partner will be responsible for designing, financing, constructing, operating and maintaining those new facilities.

The private partner will receive regular availability payments from HVTC for the services provided. The payments will come from tuition fees and subsidies from Harbin Municipal Government.

HVTC will be responsible for the education service.

Hard Facility Management

Building and Asset Maintenance (whole life)
Grounds Maintenance
Information and Communications Technology
Furniture, Fittings and Equipment (excluding special equipment for workshops)

Soft Facility Management

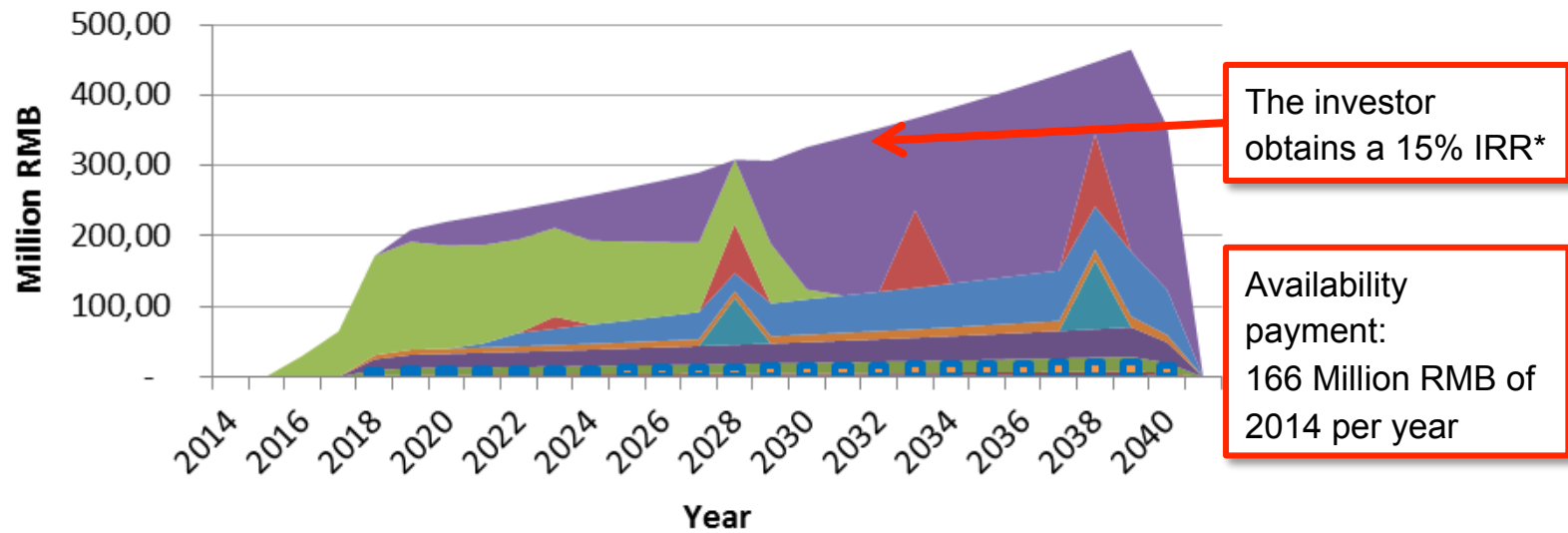
General Management
Janitorial and Porterage
Waste Management
Cleaning
Security
Pest Control
Utilities
Canteen

Excluded from the contract

Education Service
Special Education Equipment
Students dormitory



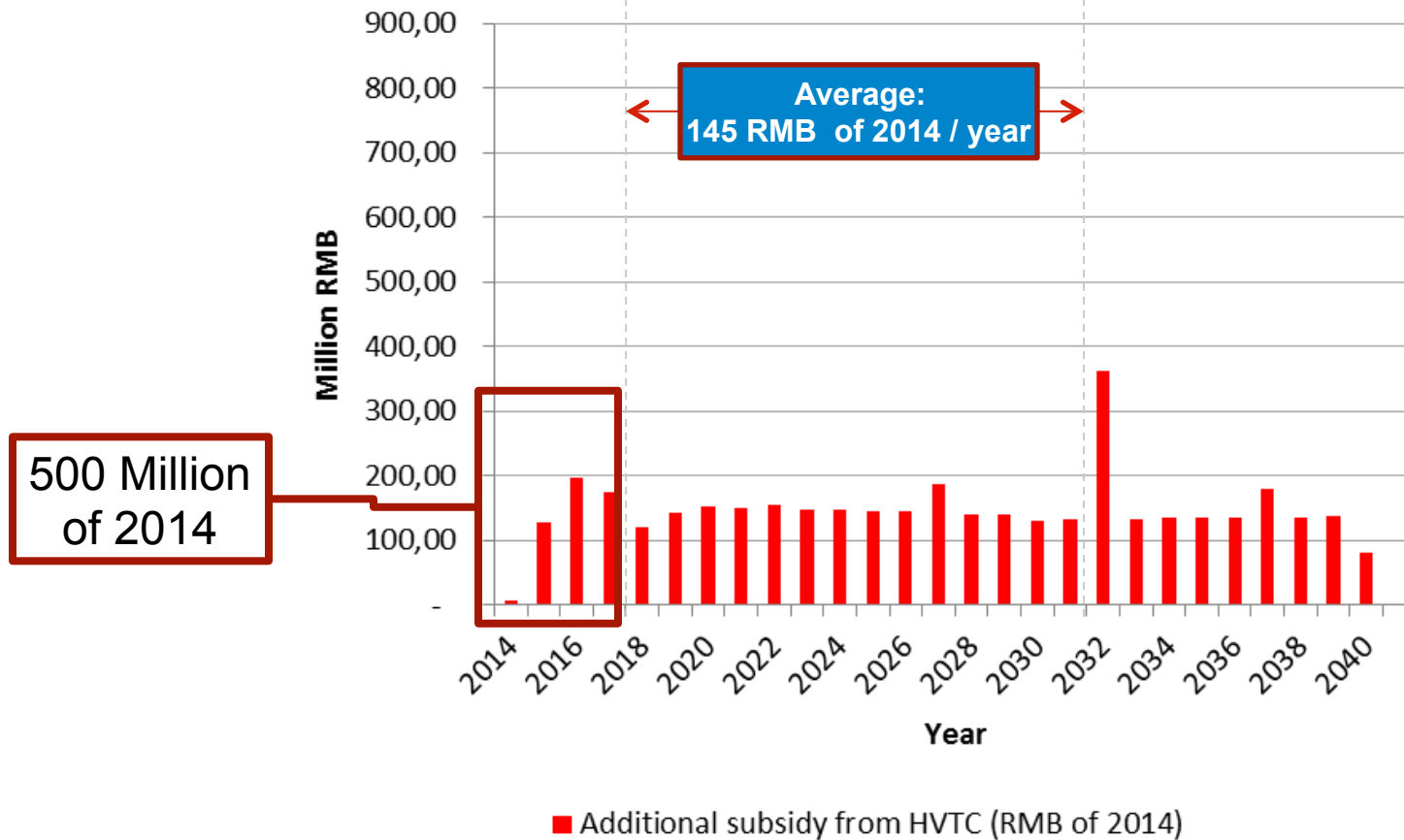
Annual availability payment to SPV



- Water
- Heating
- Extraordinary Maintenance
- Income Tax
- Debt service
- Commercial revenues
- Power
- Operation and management costs
- Business Taxes
- Reinvestment
- Dividends



HVTC – Additional resources from HFB (in RMB of 2014)





Affordability limitations

Stage 1	
Building	Surface (m ²)
Training building for International modern manufacturing technology	15,509
Training Building for teaching workshop of electric engineering	13,224
Teaching building and office building for School of Medicine and Nursing	9,559
Training building for Nursing of School of Medicine and Nursing	11,222
Training building for Recovering of School of Medicine and Nursing	13,661
Lab building for the School of food and biological pharmaceutical engineering	3,000
Students' Dormitory	20,000
Students' Dormitory	40,000
Single-layer workshop type training base	6,000

Stage 2	
Building	Surface (m ²)
Training base for international welding technology	5,000
Teaching workshop for automobiles, machinery and electric engineering	35,000
Construction Planning Institute	3,000
Training base for Regional industry culture promotion	20,000
Vocational education teaching workshop	20,000
Dining hall	12,000
Building for the electricity and other supplies	10,000
Students dormitory	40,000

Stage 3	
Building	Surface (m ²)
Teaching workshop for modern service	8,000
Teaching workshop for construction engineering	12,000
Training building for automobile repair and quality inspection	12,000
Training workshop for automobiles	5,000
Stadium	15,000
Student's Dormitory	40,000
Dining hall	8,000
Library	10,000
Underground civil air defense	30,000

~~775 M RMB from HFB~~

550 M RMB from HFB

145 M RMB of 2014 / year from HFB



Main findings of Market Sounding

- Risk allocation ok
- Size of the project ok
- Return rate: 15%-20%
- Foreign investors: guarantees
- SOEs: lack of understanding of PPPs



HVTC Future Training Park Project

Market sounding about the Public Private Partnership for the expansion of Harbin Vocational and Technical College's park



Market Sounding Prospectus

July 2014

This is not a call for tenders or a pre-qualification exercise.

It is a market sounding exercise to provide advance information of requirements and open a dialogue with potential private sector investors. The results may be used to modify certain aspects of the project that will be tender in the future.



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Cities Development Initiative for Asia

Investing in Asia's urban future

Thank You

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Scaling Up jointly: GIZ VN – CDIA – ADB for Integrated Wastewater and Drainage Management in Vietnam

Tim McGrath, Team Leader, GIZ Vietnam

Alexandra Linden, CDIA Cluster coordinator Outreach & Capacity Development





GIZ Wastewater Management and Flood Protection Programmes in Vietnam

Wastewater Management Programme (2005-2017)

- Implementing partners: Ministry of Construction, GIZ, Provincial People's Committees, City People's Committees, departments and service companies
- in 9 provinces in the North, Centre, and South Vietnam to establish provincial regulations, tariff roadmaps and performance management contracts between the asset owner and the service provider

Flood Protection Programme (2013-2017)

- Implementing partners: Ministry of Construction, GIZ and PPCs
- in 5 provinces in South Vietnam to develop drainage plans and climate adaptation strategies, design green infrastructure pilot measures & provide training

Long-term objective:

- Address urban environmental challenges in Vietnam by advisory services



Approach to Scaling Up Lessons learnt from WMP and FF



Start:

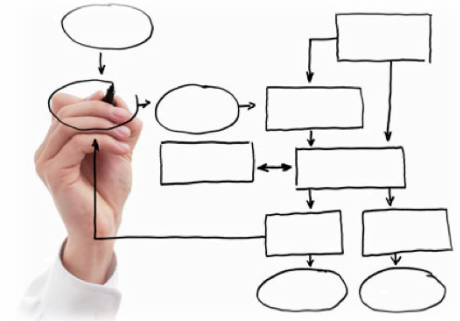
- ✓ **Clarity** about the project and different **responsibilities**
 - all sectors have institutional, financial and technical aspects.
- ✓ Formalise cooperation in an **Implementation Plan approved by the PPC**
 - understand strengths and weaknesses of leaders and officials
- ✓ Close communication
- ✓ Introduce innovations to encourage local demand
 - e.g. technology, change processes, regulations – follow up with advocacy



Approach to Scaling Up Lessons learnt from WMP and FPP

Based on demand,

- ✓ Map out the process to carry out a pilot or new activity
- ✓ Discuss potential roles and resources of stakeholders including GIZ
- ✓ Establish stakeholder consensus for implementation
- ✓ Assess results and integrate into sector planning and budgeting process
→ e.g GoV, ADB and WB





Asian Development Bank



Based on regulatory framework GIZ established in 13 provinces, ADB prioritised them in two new programmes:

- Urban Climate Change Resilience Programme
- Water Supply And Sanitation Programme
(total funding is expected at 4 Billion USD)



Results:

- ADB allocated 50 Mil. USD from ADF for GIZ provinces, Soc Trang and Tra Vinh
- 13 WMP and FPP provinces in priority list (total 700 Mil. USD) – for example: Tra Vinh, Tuy Hoa, Quang Ngai, Soc Trang



Examples from 13 Provinces



No	City	Population	Proposed drainage, flooding control and wastewater collection and Treatment	Capital Cost \$M	ADB Funding 80%,\$M	Tim- ing
1	Tra Vinh	200,000	Construction of drainage/sewerage system with decentralized wastewater treatment plants, flood control and embankments for Co Chien and Long Binh rivers	100,000,000	80,000,000	2017
2	Tuy Hoa city	156,000	Rehabilitation drainage/sewerage system of the city, including wastewater treatment and flood control	60,000,000	48,000,000	
3	Quang Ngai	263,000	Construction of wastewater treatment plant with capacity of 16,500 m ³ /d, 45 km of drainage/sewerage networks, 5 wastewater pumping stations for Quang Ngai city	60,000,000	48,000,000	
4	S o c Trang	174,000	Drainage and flooding control for Soc Trang city	110,000,000	88,000,000	



Cities Development Initiative for Asia

Based on GIZ WMP & FPP work in 13 provinces, GIZ VN and ADB jointly leveraged the involvement of CDIA in bridging the gap between infrastructure planning and financing by supporting 3 pilot cities in project preparation.



Results:

- ToR issued for consulting company to carry out the “**Integrated Wastewater and Drainage Management for the Cities of Can Tho, Vinh and Hai Duong, Viet Nam**” (start in early 2016)
- Leveraged 750,000 USD to carry out the Pre-Feasibility Study (**PFS**)
- Follow up on additional provinces in 2016 jointly with ADB



Cities Development Initiative for Asia



The PFS are expected to lever infrastructure investment of the following:

- \$120 million in drainage, flood protection, wastewater collection and treatment in Can Tho,
- \$140 million in drainage, flood protection, wastewater treatment in Vinh,
- \$62.5 million in drainage, flood protection, wastewater collection and treatment in Hai Duong.





Example: Can Tho Integrated Wastewater Collection and Treatment

- Established a systematic process for the inclusion of wastewater collection and treatment solutions.
- Scaling up activities:
 1. Complemented KfW investments
 2. World Bank's Urban Upgrading Project
 3. Government planning and budgeting
 4. CDIA PFS bridging prior planning and investments to new financing
 5. ADB Wastewater and Drainage Project





Example: Can Tho Decentralised Wastewater Treatment Plants

Results:

- Completed one DWWT system in Can Tho and one under construction in Can Tho and one in Tra Vinh
→ focus on low income and resettlement areas
- Integration into planning for World Bank's Urban Upgrading Project
- Integration into government planning and budgeting - Urban Development Master Plan
- In the first phase mentioned above – with 10K Euro leveraged nearly 1 Mil. Euro



DWWT in Can Tho



Thank you



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Urban Infrastructure Project Preparation and Financing under PPP in Pakistan

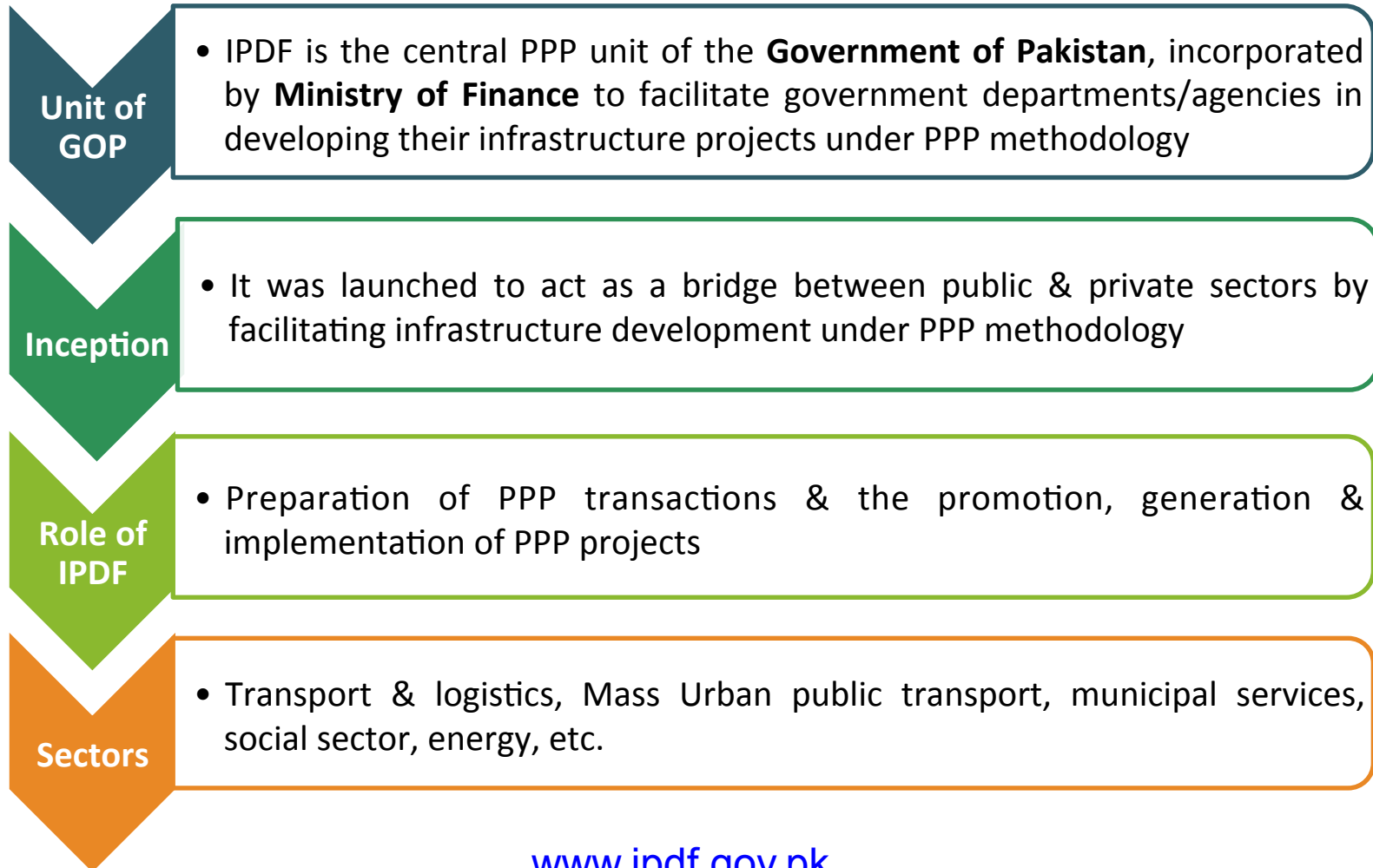
Umair Ahmed Kamboh

Financial Specialist, IPDF Pakistan





Infrastructure Project Development Facility (IPDF)





BRT Islamabad Project – Success Story

IPDF National Partner
Organization (NPO) of
CDIA

IPDF is
collaborating with
CDIA / ADB for
preparing
infrastructure
projects for Private
Sector Investment

CDIA provided Technical
Assistance grant of **USD
500,000** to Capital
Development Authority
(CDA) Pakistan

The technical
assistance grant
came in the form of
international
consultants
appointed by CDIA /
ADB for pre-
feasibility study of
Bus Rapid Transit
Project for
Islamabad

IPDF/CDIA provided
Financial and Legal
Experts for Pre-
Feasibility Study

The pre-
feasibility
completed by
IPDF and CDIA
formed the basis
of US Dollar 480
million project
inaugurated in
June 2015



BRT Islamabad Project – Success Story



Link to video:

[Cities on the move - Islamabad launches first public bus service](#)



Features:

- Connecting two cities (Rawalpindi & Islamabad)
- Separate lanes
- Women seating
- Platform screen doors turnstiles for automatic fare collection with chip based ticketing system
- Escalators



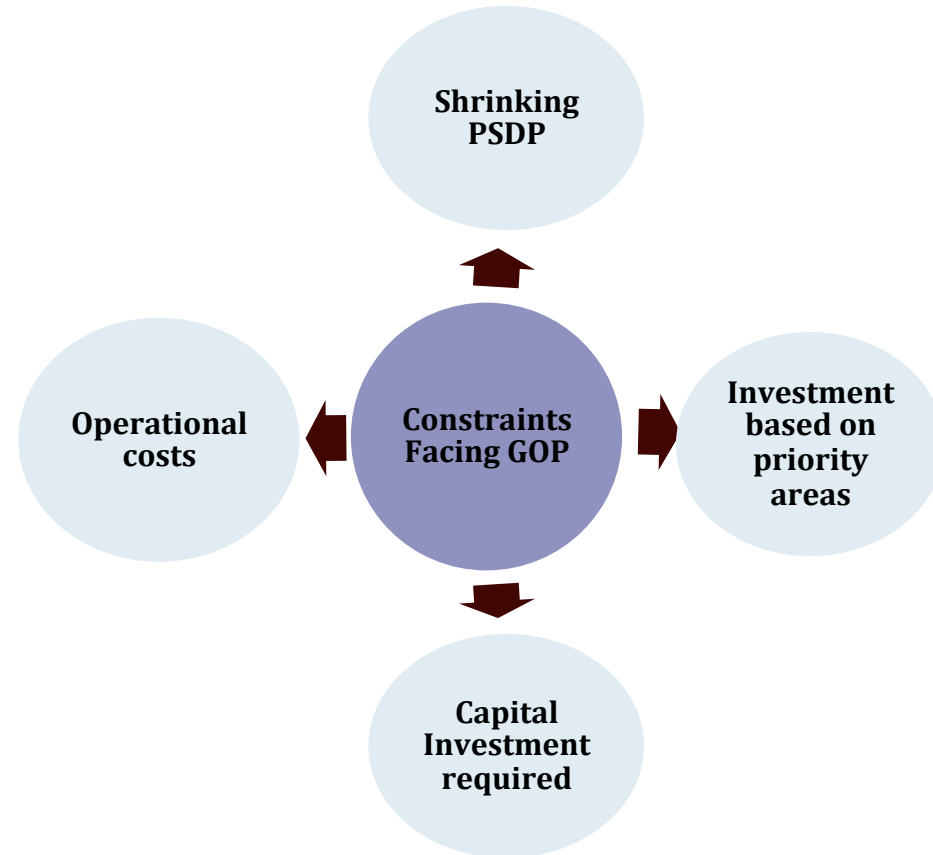


Why PPP in Pakistan?

GOP resources are limited

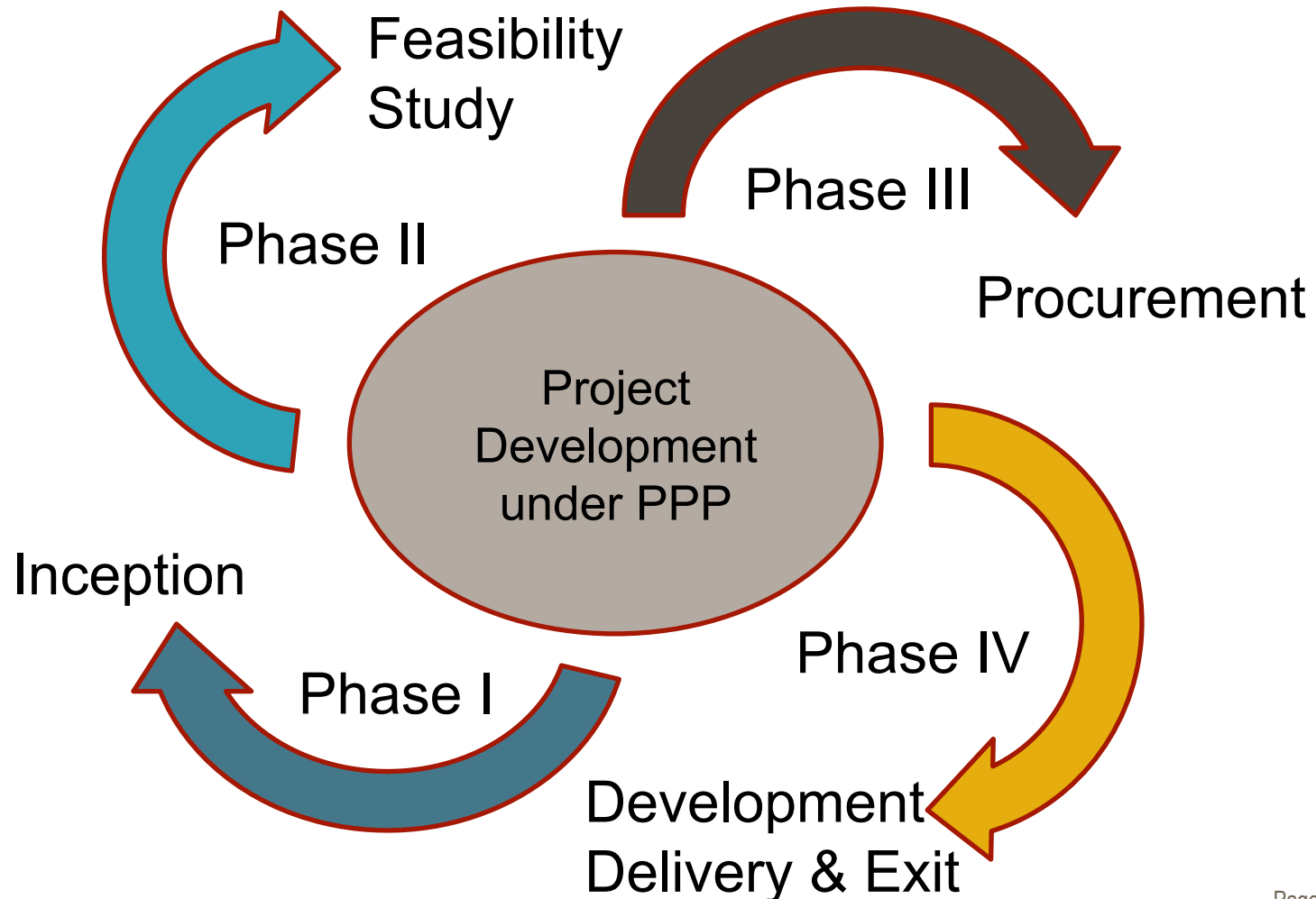
PSDP funding will be harder to obtain

PPP will achieve value for money through efficient service delivery





Project Development Life Cycle





Phase I - Inception

Implementing agency
takes a decision to
explore
PPP
options
by initial need analysis

Lack of
technical
expertise

Lack of
financial
resources

Project is
Complex



Phase I - Inception

Step #1:
Initial Project
Screening: PPP
Suitability

Registering the Project
with IPDF
It is comprised of 2 steps

Step #2:
Signing of
Memorandum of
Understanding



Initial Project Screening : PPP Suitability

PPP suitability of the project is analyzed on the basis of following characteristics

Scale

- Minimum project size: Pak Rupees 500 Million / US\$ 5 Million
- Strong probability of offering cash flows
- That will enable public and private partners to achieve value for money

Output Specifications

- Possibility for IPDF to specify outputs in clear and measurable terms
- Payment mechanism will be structured from those outputs
- PPP concept focuses on project outputs and not inputs to traditional procurement

Sector

The project should fall in the following four sectors

Network and logistics

Mass Urban Public Transport

Municipal Services

Small Scale Energy Projects

Opportunities for risk transfer

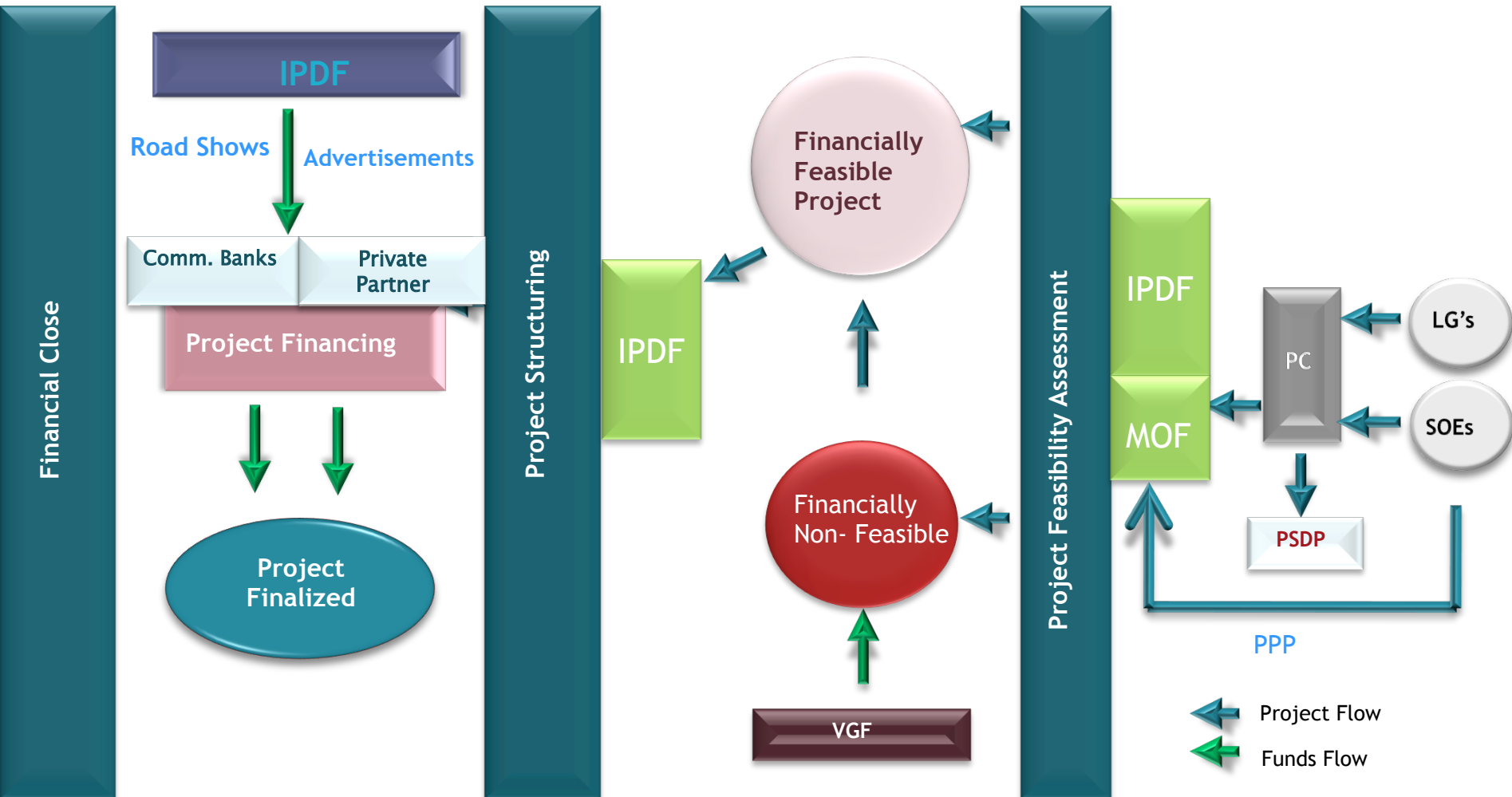
- Opportunities for risk allocation/transfer to the public and private parties involved
- Allocation of risk to a private party is a primary driver of value for money in a PPP

Market capability and appetite

- The project must be of a caliber where it is able to generate market interest
- It must have the potential to operate as a commercially viable venture



Phase I, II & III – Linking to Finance





Critical Success Factors

- Political will – Most Important
- Appropriate risk allocation and risk sharing
- Competitive procurement process and good governance
- Commitment of public/private sectors
- Stable macro-economic environment
- Thorough and realistic cost/benefit assessment
- Well-organized public agency
- Government backed guarantees



Thank you



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