



# Regional: Sustainable Infrastructure for Asia and the Pacific

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| Project Name                          | Sustainable Infrastructure for Asia and the Pacific  |                   |
| Project Number                        | 51367-001  |                   |
| Country / Economy                     | Regional<br>Indonesia<br>Mongolia  |                   |
| Project Status                        | Active   |                   |
| Project Type / Modality of Assistance | Technical Assistance   |                   |
|                                       | <b>TA 9518-REG: Sustainable Infrastructure for Asia and the Pacific</b>  |                   |
|                                       | Technical Assistance Special Fund  | US\$ 1.50 million |
|                                       | Government of Australia  | US\$ 250,000.00   |
| Source of Funding / Amount            | <b>TA 9518-REG: Sustainable Infrastructure for Asia and the Pacific (Supplementary)</b>  |                   |
|                                       | Millenium Challenge Corporation  | US\$ 525,000.00   |
|                                       | <b>TA 9518-REG: Sustainable Infrastructure for Asia and the Pacific</b>  |                   |
|                                       | Technical Assistance Special Fund  | US\$ 450,000.00   |
| Strategic Agendas                     | Inclusive economic growth<br>Regional integration  |                   |
| Drivers of Change                     | Gender Equity and Mainstreaming<br>Knowledge solutions<br>Partnerships<br>Private sector development   |                   |
| Sector / Subsector                    | <b>Finance</b> / Infrastructure finance and investment funds   |                   |
| Gender                                | Some gender elements   |                   |
| Description                           | <p>The proposed knowledge and support technical assistance (TA) will address key sustainable infrastructure development issues and expand potential investment opportunities on sustainable infrastructure for ADB developing member countries (DMCs). The proposed TA is aligned with the midterm review of ADB's Finance Sector Operational Plan (FSOP) which affirms ADB's critical role in infrastructure finance and with ADB's commitment to host the 2018 Global Infrastructure Forum. Furthermore, the Sustainable Development Goals and COP21 agreement underline the importance of infrastructure finance, particularly the respective roles of the public and private sectors, as well as multilateral development banks (MDBs) in the development agenda. MDBs are increasingly being called upon to play a greater role in this agenda and there are numerous initiatives being advanced by the MDBs, as well as other institutions, governments, and entities. ADB must respond to these expectations and ensure that the institution continues to remain relevant and engaged in these infrastructure finance initiatives. ADB's role can be multifaceted and include providing direct funding, supporting capital market issues and providing structural and transaction advisory services to both the public and private sectors. The proposed TA is an endorsed corporate priority TA.</p> <p>Strategy 2020, a long-term strategic framework of ADB, addresses the importance of infrastructure finance as a core specialization. The 2014 midterm review of Strategy 2020 reconfirmed the focus areas of ADB's strategic support, which include finance. The FSOP was approved in May 2011 to articulate the finance sector agendas of Strategy 2020, and its midterm review, completed in 2016, examined the implementation of its action plan, related assistance, and its adequacy for the challenges ahead.</p> |                   |

Infrastructure investment is a key component of the 2030 Agenda for Sustainable Development. It is recognized as a crucial driver of economic development, while the quality, quantity and accessibility of economic infrastructure in developing countries lag considerably behind those in advanced economies, scaling up infrastructure investment is a key pillar in national development strategies. In recent years, many developing countries have been scaling up infrastructure investments, mostly through public spending, but also with a growing private sector participation. Yet many challenges lie ahead. The inability of DMCs at sovereign and sub-sovereign level agencies to prepare a consistent supply of structured projects offering a standardized risk transfer regime and satisfactory investment return is a major hurdle in channeling project sponsors and available finance into infrastructure development activities. The high costs associated with the preparation of bid proposals for major infrastructure projects are difficult to be justified where the underlying project itself suffers from poor preparation, delays and a lack of transparency in the bid process. Infrastructure gaps are large and bridging those gaps will require tackling several problems in terms of project preparation, additional financing and project selection and implementation, as well as profile of cash flows, the perception of high risks throughout the project lifecycle, which contribute to making purely private investment difficult to justify and costly to achieve. The ADB study 'Meeting Asia's Infrastructure Needs highlighted that developing Asia will need to invest \$26 trillion from 2016 to 2030, or \$1.7 trillion per year (of which \$200 billion per year relates to climate change and climate adaptation costs), if the region is to maintain its growth momentum, eradicate poverty, and respond to climate change. Of the total investment needs over 2016-2030, \$14.7 trillion will be for power and \$8.4 trillion for transport. Investments in telecommunications will reach \$2.3 trillion, with water and sanitation costs at \$800 billion over the period. Of the 25 economies that capture 96% of the region's population, the estimated gap between infrastructure investment needs and current infrastructure investment levels is around 2.4% of projected GDP over the five-year period from 2016-2020. Without the People's Republic of China (PRC), the gap for the remaining economies rises to about 5% of their projected GDP.

A challenge is the inability to properly utilize available financing modalities to bridge the financing gap for sustainable infrastructure. Similarly, there is a need to identify and develop alternative sources of investment finance. Mobilizing the necessary funds to satisfy the growing demand for infrastructure investment will require new sources and instruments of finance. Currently, the lion's share of the growth in infrastructure financing is shouldered by commercial banks. Banks will remain important financiers, in particular in the early stages of new projects. But banks, which are subject to greater regulatory controls under iterations of Basel capital control frameworks, are no longer best placed to support long-term infrastructure debt commitments on their balance sheets. The consequences of higher banking capital regulation are a significantly diminished pool of potential lenders and a significantly increased cost of debt.

A set of challenges are also weak, undeveloped or inconsistently applied regulatory environments and institutional frameworks for implementing infrastructure projects, including public-private partnerships (PPPs), in sustainable and efficient ways. Creating a pipeline of infrastructure projects, which will attract broad-based interest from the private sector, including pension funds and insurance companies, requires a coherent and trusted legal framework in addition to a consistent and stable project implementation framework. In some countries those frameworks do not exist or are applied in an inconsistent or arbitrary manner. Political risk is among the greatest concerns of private investors and can affect a project through its entire life cycle.

Another set of challenges are shortcomings in capacities and capabilities of individual governments and public investment management institutions to identify, evaluate, prepare and execute infrastructure projects that comply with international best practices and/or integrate new technologies for sustainable infrastructure in for example third party platforms for infrastructure project preparation such as Source. This includes the selection of legal and financial expertise for the development and documenting of structured infrastructure investments. Infrastructure investments entail complex legal and financial arrangements, requiring the provision of significant advisory support and internal management and administrative expenses. Gaining access to the necessary expertise is costly, and investors will only be willing to incur these costs if there is a sufficient and predictable pipeline of infrastructure investment opportunities, which are both certain and which can be delivered over a predictable timeframe. Otherwise, the costs can easily outweigh the potential benefits of investing into infrastructure over other, less complex asset classes or in more reliable and transparent jurisdictions. It also includes weak public investment management institutions as well as the limited capacity of public and private sector to integrate new technologies for sustainable infrastructure. Currently, infrastructure such as transport, energy and water accounts for about 70% of ADB operations. ADB will scale up annual investments to at least 20 billion by 2020. Also, ADB has committed to raise private sector development and operations to 50% of total operations by 2020. To meet these targets, the proposed corporate TA will aim to expand investment opportunities on sustainable infrastructure for ADB DMCs.

Project Rationale and Linkage to Country/Regional Strategy

Impact

Pipeline of sustainable infrastructure projects addressing SDG targets increased

## Project Outcome

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| Description of Outcome  | Capacity of key stakeholders for the development issues of sustainable infrastructure improved   |
| Progress Toward Outcome | <p>The Third Global Infrastructure Forum (GI Forum) was held on 13 October 2018 at the Laguna Villas in Bali, Indonesia. The important role of technology was at the heart of discussions at the GI Forum under the theme 'Unlocking Inclusive, Resilient, and Sustainable Technology-driven Infrastructure'. 2018 marked the first time this annual forum was held outside of the US. Indonesia's Vice President Jusuf Kalla opened the discussion. The GI Forum gathered private sector investors with representatives from the United Nations and leaders from the African Development Bank, Asian Development Bank, Asian Infrastructure Investment Bank, European Bank for Reconstruction and Development, European Investment Bank, Inter-American Development Bank, International Finance Corporation, Islamic Development Bank, New Development Bank, and the World Bank. The forum comprised two opening sessions. The first looked at how technology, such as solar energy systems, blockchain, and big data, can be used to make infrastructure more sustainable. The second discussed how to increase private infrastructure finance. Other sessions looked at using technology to achieve the crucial but difficult 'last mile' of getting services to end users, good practices in scaling up investments in infrastructure, ways of financing the global infrastructure gap, and maximizing innovative climate finance for sustainable infrastructure. President Nakao, in a panel discussion with other MDB leaders, expressed optimism about the ability of Asia and Pacific economies to adopt and integrate technology and innovation into the planning, implementation, and management of critical infrastructure. The event has strengthened ADB's reputation in the area of infrastructure finance and provided a solid foundation to continue driving the infrastructure agenda.</p> <p>In March 2019, Sustainable Infrastructure Foundation conducted a half-day training on SOURCE. SOURCE is a project development platform designed to improve the delivery of quality infrastructure and play a catalytic role in crowding in private sector investments and developing a pipeline of investment-ready projects, including those supported by public-private partnerships.</p> |

## Implementation Progress

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| Description of Project Outputs | <p>Project preparation to better develop sustainable infrastructure for DMCs enhanced</p> <p>Analytical studies supporting sustainable, green, inclusive, resilient, and technology-driven infrastructure produced</p> <p>Investment opportunities supporting sustainable, green, inclusive, resilient, and technology-driven infrastructure developed</p> |
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| Status of Implementation Progress (Outputs, Activities, and Issues) | Urban development and infrastructure finance expert has been recruited to assist in preparing a knowledge product paper 'Innovative Finance solutions for City Infrastructure Investments leveraging risk transfer solutions'. An Infrastructure Finance Expert has been recruited to develop and/or improve additional features to the SOURCE platform and identify how SOURCE can be connected to ADB project system to facilitate a harmonized framework for project preparation.<br>A visual communications expert has been engaged to assist the team in preparing a strategic plan on how to disseminate the results of the three link outputs under the TA. A research analyst and manuscript editor is being recruited to assist in implementing TA activities. |
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| Geographical Location | Indonesia - Nation-wide; Mongolia - Nation-wide |
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### **Summary of Environmental and Social Aspects**

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Environmental Aspects

Involuntary Resettlement

Indigenous Peoples

### **Stakeholder Communication, Participation, and Consultation**

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During Project Design

During Project Implementation

### **Business Opportunities**

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| Consulting Services | Individual consultants will be recruited through framework agreements wherein shortlisted candidates may be hired as needed for the duration of the agreement to provide 26 person-months' international and 48 person-months' national individual consultant services comprising (i) 18 person-months total for four infrastructure finance experts, (ii) 4 person-months for a visual communication expert, (iii) 4 person-months for a manuscript editor, (iv) 24 person-months for a research assistant, and (v) 24 person-months for a project coordinator. It will also require 4 person-months total for resource persons. ADB will engage the consultants and carry out procurement following the ADB Procurement Policy (2017, as amended from time to time) and its associated project administration instructions and/or staff instructions. |
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| Procurement | Procurement related to the pilot project will be discussed during the TA implementation |
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| Responsible ADB Officer | Kessler, Thomas W. |
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| Responsible ADB Department | Office of Markets Development and Public-Private Partnership |
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| Responsible ADB Division | Office of Markets Development and Public-Private Partnership |
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| Executing Agencies | <i>Asian Development Bank</i> |
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### **Timetable**

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|-------------------|-------------|
| Concept Clearance | 16 Mar 2018 |
|-------------------|-------------|

Fact Finding 26 Feb 2018 to 02 Mar 2018  
 MRM -  
 Approval 01 May 2018  
 Last Review Mission -  
 Last PDS Update 22 Mar 2019

## TA 9518-REG

### Milestones

| Approval    | Signing Date | Effectivity Date | Closing     |             |        |
|-------------|--------------|------------------|-------------|-------------|--------|
|             |              |                  | Original    | Revised     | Actual |
| 01 May 2018 | -            | 01 May 2018      | 31 Dec 2020 | 31 Mar 2025 | -      |

| Financing Plan/TA Utilization |             |             |               |                 |        |              | Cumulative Disbursements |              |
|-------------------------------|-------------|-------------|---------------|-----------------|--------|--------------|--------------------------|--------------|
| ADB                           | Cofinancing | Counterpart |               |                 |        | Total        | Date                     | Amount       |
|                               |             | Gov         | Beneficiaries | Project Sponsor | Others |              |                          |              |
| 1,950,000.00                  | 775,000.00  | 0.00        | 0.00          | 0.00            | 0.00   | 2,725,000.00 | 07 Jul 2023              | 2,447,238.57 |

Project Page <https://www.adb.org/projects/51367-001/main>

Request for Information <http://www.adb.org/forms/request-information-form?subject=51367-001>

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