Expert Group Meeting on Asian Partnership in Financing SDGs

Dhaka: 16-17 May 2015

Working Session 1
Public-Private Partnership (PPP)
The Asian Experience
16 May 2015

Financing Public-Private Partnership in Infrastructure
An Asian Perspective
Simrit Kaur
Professor of Public Policy
Faculty of Management Studies
University of Delhi, India
Structure of Presentation

1. Relevance of Infrastructure and Infrastructure Deficits in Asia
2. PPPs: Concept, Rationale and Rising Popularity
3. Infrastructure PPP Deals in Asia
4. PPP Readiness in Asia
5. Correlates of PPP Investment: Econometric Analysis
6. Improving PPP Outcomes: Cross Cutting Issues
7. Conclusion and Policy Implication
Section 1

1. Relevance of Infrastructure and Infrastructure Deficits in Asia
Asia: A Hope for the Global Economy

- Asia is getting richer, not only absolutely but also relatively.

- Over the last decade, Asia increased its share of global GDP from 24% to 31%. Its vast population is increasingly urban and increasingly middle class.

- Post the deep recession in US and Europe triggered by the financial crisis, the world is looking towards Asia as the engine of growth.

- However, Asia is also at a crossroads.
Infrastructure: Impact on Growth and Poverty

- Infrastructure plays a key role in promoting and sustaining rapid economic growth, and helps reduce poverty.

- However, in Asia, investment in infrastructure has not kept pace with the rising demand on account of the region’s rapid economic growth, and rising population (ADB 2007).

- Inadequate physical infrastructure has been an impediment to not only growth, but also one of the root causes of poverty (WB, 1994; ADB 2009). Access to clean drinking water, electrified homes, telecommunication network, and paved roads remains dismal.
Global Competitive Index and its 12 Pillars

**GLOBAL COMPETITIVE INDEX**

- **Basic Requirements Subindex**
  - Pillar 1: Institutions
  - Pillar 2: Infrastructure
  - Pillar 3: Macroeconomic Environment
  - Pillar 4: Health and Primary Education

- **Efficiency Enhancers Subindex**
  - Pillar 5: Higher education and training
  - Pillar 6: Goods market efficiency
  - Pillar 7: Labour market efficiency
  - Pillar 8: Financial market development
  - Pillar 9: Technological Readiness
  - Pillar 10: Market size

- **Innovation and Sophistication Factors Subindex**
  - Pillar 11: Business Sophistication
  - Pillar 12: Innovation

**Key for**
- Factor-driven economies
- Efficiency-driven economies
- Innovation-driven economies
State of Infrastructure in Asian Economies
Infrastructure Deficit in Asia

- Asia’s infrastructure investment needs are equivalent to **USD 8 trillion** over the period 2010 to 2020. This amounts to about **USD 730 billion** annually.
- 68 per cent of this is for **new capacity** and 32 per cent for maintaining and **replacing existing infrastructure**.
- **Electricity and Roads** account for 51 per cent and 29 per cent of the total, respectively.
- **Region-Wise:** East Asia and Pacific needs 58%, S. Asia 36%, and Central Asia 6% (ADB, 2009)
Section 2

PPPs: Concept, Rationale and Rising Popularity
Public Private Partnership: Concept and Rationale

**Concept:** A cooperation between government and business agents that agree to work together to reach a common goal or carry out a specific task, while jointly assuming risks and responsibilities and sharing resources and competencies.
PPP: Rising Popularity in Global Forums

- Busan’s Global Partnership for Effective Development Cooperation (2011)
- The High Level Panel (HLP, 2011) on Infrastructure, a product of the G20 Seoul Summit’s Multi-Year Action Plan on Development
- The Open Working Group on Sustainable Development Goals (OWG, 2015)

In general, the following is recommended:

- Strong vision, high-level political engagement
- Establishing conducive PPP environment: legal and regulatory frameworks
- Effective accountability mechanism, with Clear reporting mechanisms
- Inclusive partnership
- Transparency
- Share risks and rewards fairly
- Implemented following feasibility studies that demonstrate Value for Money
- Strong and sustainable supply of bankable projects
Rationale: Helps Bridge Infrastructure Deficit

- Where market and/or non-market failures exist.
- Financial constraints faced by governments.
- PPPs bring greater efficiency and sustainability.
- Better allocation of risks.

PPP not a panacea for all problems. It too generates challenges.

Therefore, need to justify the Double Market Failure Criterion.

In other words,

- **First**, one must establish sound evidence of market/non-market failure, and
- **Second**, one must also search for evidence that net benefits are larger under PPP than under pure private sector/government sector involvement.

Value for Money
Section 3

Infrastructure PPP Deals in Asia

- Overall Size of PPP Sector: Number of Deals and Value of Deals
- Sectoral Distribution of PPPs: Number of Deals and Value of Deals
- Sub-Type of Private Participation in Infrastructure, and
- PPP Success Rate in Asia
Infrastructure PPP Deals: Asia in a Global Perspective

Source: Preqin Infrastructure Online
Size of PPP Sector: Number of Deals and Value of Deals

![Bar chart showing the number of deals in various countries](chart.png)
Sectoral Distribution of PPP: In Terms of Value of Investment over 1990 to 2014 (%)
Sectoral Distribution of PPPs in terms of Number of Projects over 1990 to 2014 (%)
PPP Projects by Type
Number of Projects and Value of Projects

- Concession: 24%
- Divestiture: 2%
- Greenfield project: 67%
- Management and lease contract: 7%

- Concession: 16%
- Divestiture: 13%
- Greenfield project: 71%
- Management and lease contract: 0%
## ‘Number’ of PPP Deals and ‘Value’ of PPP Deals

<table>
<thead>
<tr>
<th>Country</th>
<th>Total Number of Deals</th>
<th>Total Investment (USD Million)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1990-00</td>
<td>2001-14</td>
</tr>
<tr>
<td>Bangladesh</td>
<td>10</td>
<td>55</td>
</tr>
<tr>
<td>Cambodia</td>
<td>10</td>
<td>21</td>
</tr>
<tr>
<td>China</td>
<td>282</td>
<td>904</td>
</tr>
<tr>
<td>India</td>
<td>108</td>
<td>730</td>
</tr>
<tr>
<td>Lao</td>
<td>5</td>
<td>14</td>
</tr>
<tr>
<td>Malaysia</td>
<td>64</td>
<td>42</td>
</tr>
<tr>
<td>Nepal</td>
<td>5</td>
<td>20</td>
</tr>
<tr>
<td>Pakistan</td>
<td>31</td>
<td>52</td>
</tr>
<tr>
<td>Philippines</td>
<td>61</td>
<td>65</td>
</tr>
<tr>
<td>Sri Lanka</td>
<td>15</td>
<td>58</td>
</tr>
<tr>
<td>Vietnam</td>
<td>10</td>
<td>72</td>
</tr>
</tbody>
</table>
Projects Cancelled or Distressed (% of total investment)

- Sri Lanka: 0
- Nepal: 0
- Mongolia: 0
- Thailand: 1
- Bangladesh: 2
- Pakistan: 3
- China: 4
- India: 5
- Vietnam: 8
- Philippines: 10
- Indonesia: 12
- Malaysia: 24

0 5 10 15 20 25 30
Section 4

PPP Readiness in Asia
PPP Readiness in Asia

Based on 6 Parameters:

1. Regulatory framework (25%)
2. Institutional frameworks (20%)
3. Project experience and success (15%)
4. Investment climate (15%)
5. Financial facilities (15%) for funding infrastructure, and
6. An indicator for sub-national PPPs (10%)

Countries classified as:

- Mature PPP economies
- Developed PPP economies
- Emerging PPP economies &
- Nascent PPP economies
PPP Readiness: Overall Index
(EIU: Infrascope 2011)
# PPP Readiness: Sub-Components

**(EIU: Infrascope 2011)**

<table>
<thead>
<tr>
<th>Assessment</th>
<th>Country</th>
<th>Overall Score</th>
<th>Legal and Regulatory Framework</th>
<th>Institutional Framework</th>
<th>Operational Maturity</th>
<th>Investment Climate</th>
<th>Financial Facilities</th>
<th>Sub-National Adjustment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mature (80-100)</td>
<td>Australia</td>
<td>92.3</td>
<td>100</td>
<td>100</td>
<td>66.5</td>
<td>87.4</td>
<td>94.4</td>
<td>100</td>
</tr>
<tr>
<td></td>
<td>UK</td>
<td>89.7</td>
<td>96.9</td>
<td>100</td>
<td>76.7</td>
<td>82.3</td>
<td>94.4</td>
<td>75</td>
</tr>
<tr>
<td>Developed (60-80)</td>
<td>S. Korea</td>
<td>71.3</td>
<td>78.1</td>
<td>75</td>
<td>68.8</td>
<td>54.2</td>
<td>88.9</td>
<td>50</td>
</tr>
<tr>
<td></td>
<td>India</td>
<td>64.8</td>
<td>59.4</td>
<td>66.7</td>
<td>70</td>
<td>52.3</td>
<td>72.2</td>
<td>75</td>
</tr>
<tr>
<td></td>
<td>Japan</td>
<td>63.7</td>
<td>50</td>
<td>66.7</td>
<td>61.4</td>
<td>57.5</td>
<td>83.3</td>
<td>75</td>
</tr>
<tr>
<td>Emerging (30-60)</td>
<td>China</td>
<td>49.8</td>
<td>31.3</td>
<td>25</td>
<td>78.1</td>
<td>51.6</td>
<td>66.7</td>
<td>75</td>
</tr>
<tr>
<td></td>
<td>Philippines</td>
<td>47.1</td>
<td>43.8</td>
<td>41.7</td>
<td>44.8</td>
<td>46.3</td>
<td>61.1</td>
<td>50</td>
</tr>
<tr>
<td></td>
<td>Indonesia</td>
<td>46.1</td>
<td>40.6</td>
<td>41.7</td>
<td>47.9</td>
<td>50.3</td>
<td>52.8</td>
<td>50</td>
</tr>
<tr>
<td></td>
<td>Thailand</td>
<td>45.3</td>
<td>28.1</td>
<td>50</td>
<td>50.9</td>
<td>48.6</td>
<td>55.6</td>
<td>25</td>
</tr>
<tr>
<td></td>
<td>Bangladesh</td>
<td>39.2</td>
<td>40.6</td>
<td>33.3</td>
<td>41</td>
<td>47.3</td>
<td>44.4</td>
<td>50</td>
</tr>
<tr>
<td></td>
<td>Pakistan</td>
<td>38.8</td>
<td>34.4</td>
<td>33.3</td>
<td>25.5</td>
<td>43</td>
<td>38.9</td>
<td>50</td>
</tr>
<tr>
<td></td>
<td>Kazakhstan</td>
<td>34.3</td>
<td>25</td>
<td>41.7</td>
<td>15.7</td>
<td>43.3</td>
<td>55.6</td>
<td>25</td>
</tr>
<tr>
<td>Nascent (0-30)</td>
<td>Vietnam</td>
<td>26.3</td>
<td>18.8</td>
<td>16.7</td>
<td>25.5</td>
<td>46.4</td>
<td>33.3</td>
<td>25</td>
</tr>
<tr>
<td></td>
<td>Mongolia</td>
<td>23.3</td>
<td>25</td>
<td>25</td>
<td>3.1</td>
<td>46.9</td>
<td>13.9</td>
<td>25</td>
</tr>
</tbody>
</table>
Section 5

Correlates of PPP Investment: Econometric Analysis
Correlates of PPP

It is often contended that PPPs tend to be more common in countries where (Hammami et al., 2006):

- Governments suffer from heavy debt burdens
- Where aggregate demand and market size are large
- Macroeconomic stability exists
- Political environment is stable
- Institutional quality is high, i.e. where corruption is less and rule of law is effective, and
- Where countries have previous PPP experiences

We too examine the correlates of PPP in Asia

Number of Countries: 9
Time Period: 2000 to 2012
Fixed Effects Panel Regression
## Econometric Results: Total Investment

<table>
<thead>
<tr>
<th></th>
<th>(1)</th>
<th>(2)</th>
<th>(3)</th>
<th>(4)</th>
<th>(5)</th>
<th>(6)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(155.011)</td>
<td>(155.141)</td>
<td>(123.475)</td>
<td>(113.280)</td>
<td>(110.531)</td>
<td>(111.466)</td>
</tr>
<tr>
<td><strong>Population (log)</strong></td>
<td>148736.841**</td>
<td>188890.692**</td>
<td>77732.126</td>
<td>246595.653***</td>
<td>211644.21***</td>
<td>208241.424**</td>
</tr>
<tr>
<td></td>
<td>(59176.484)</td>
<td>(72557.981)</td>
<td>(81718.154)</td>
<td>(78587.630)</td>
<td>(79552.296)</td>
<td></td>
</tr>
<tr>
<td><strong>Legal System &amp; Property Rights</strong></td>
<td>2745.696</td>
<td>3634.256</td>
<td>850.315</td>
<td>2211.960</td>
<td>2156.620</td>
<td></td>
</tr>
<tr>
<td><strong>Regulation Index</strong></td>
<td>3634.256</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(2277.037)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Lower Credit market Regulations</strong></td>
<td>-4928.498**</td>
<td>-5946.162***</td>
<td>-5527.396***</td>
<td>-5634.557***</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(2234.897)</td>
<td>(2034.805)</td>
<td>(1934.239)</td>
<td>(1963.032)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Lower Labor Market Regulations</strong></td>
<td>18674.146***</td>
<td>12103.565***</td>
<td>10013.066***</td>
<td>10295.339***</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(3449.197)</td>
<td>(3620.363)</td>
<td>(3524.235)</td>
<td>(3602.339)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Lower Business Regulations</strong></td>
<td>-3537.555*</td>
<td>-3680.252**</td>
<td>-2628.162</td>
<td>-2785.849</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(2020.590)</td>
<td>(1821.696)</td>
<td>(1773.343)</td>
<td>(1818.367)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Trade Openness</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>309.631***</td>
<td>238.539***</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>(87.423)</td>
<td>(87.299)</td>
</tr>
<tr>
<td><strong>Net Bilateral aid flows (Total USD)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0.000**</td>
<td>0.000**</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>(0.00)</td>
<td>(0.00)</td>
</tr>
<tr>
<td><strong>Deviation of Exchange Rate</strong></td>
<td>-1169312.7**</td>
<td>-1465094.9**</td>
<td>-660150.2**</td>
<td>-1972220.5***</td>
<td>-1699392.1***</td>
<td>-1672533.1***</td>
</tr>
<tr>
<td><strong>N</strong></td>
<td>68</td>
<td>65</td>
<td>65</td>
<td>65</td>
<td>65</td>
<td>65</td>
</tr>
<tr>
<td><strong>Groups</strong></td>
<td>9</td>
<td>9</td>
<td>9</td>
<td>9</td>
<td>9</td>
<td>9</td>
</tr>
<tr>
<td><strong>R²</strong></td>
<td>0.195</td>
<td>0.208</td>
<td>0.571</td>
<td>0.659</td>
<td>0.700</td>
<td>0.701</td>
</tr>
<tr>
<td><strong>F</strong></td>
<td>4.519</td>
<td>3.614</td>
<td>11.101</td>
<td>13.504</td>
<td>13.997</td>
<td>12.266</td>
</tr>
</tbody>
</table>
Improving PPP Outcomes: Cross Cutting Issues

i. Allocating PPP Risk

ii. Addressing Barriers to Competition and Efficiency in the Procurement of PPPs

iii. Addressing Financial Challenges

iv. Creating Good Governance Structures

v. Impact Assessment
Improving PPP Outcomes

Cross Cutting Issues

- Allocating PPP Risk
- Addressing Barriers to Competition and Efficiency in the Procurement of PPPs
- Creating Good Governance Structures
- Impact Assessment of PPPs
- Addressing Financial Challenges
Allocating PPP Risk

- An important goal of a well-designed PPP is to pick out the strengths and weaknesses of public and private sector independently, and allocate risks to those who are best able to manage them.
Addressing Barriers to Competition and Efficiency in the Procurement of PPPs

- Some of the most common issues that act as barriers to competition are: A largely unknown pipeline of projects that is sporadic in nature; a perceived lack of commitment to PPPs; and the magnitude of bid costs.

- Key factors that are identified for driving inefficiencies are lack of skill and expertise of government team managing the process, and the government’s level of commitment to the project and the PPP procurement model.
Addressing Financial Challenges

Highest Savings, yet inadequate mobilization mechanism

**Structural Shortcomings of the Asian Financial System:**

- Asian financial sector is dominated by short-term bank funded financing;
- It suffers from shallow capital markets
- There is paucity of “real money” long-term investors, such as insurers and pension funds, and lack of Risk Transfer Mechanisms
- Structural weakness in the ability to maintain financial stability

(Additional problems associated with **Basel III**: funding costs to go up by 2-5%, and RoE for project finance expected to decrease by 5%. Asian countries therefore need to develop a deeper understanding of the product level implications of these regulations and build a more cohesive Asian view to be heard at the global level)
Short-term, Bank Funded Financing
(Wyman, 2013)

- In Asia, Investments are more Debt Funded, rather than Equity Funded.
- Bank Loans as a per cent of total debt funding remains in excess of 70% for India, China, Japan and Singapore. By contrast, US Bank Loans as a per cent of total debt funding remains close to 40%.
- The dominance of bank lending is especially evident in China, where capital markets remain under-developed. In 2012, Chinese banks provided 70% of total financing (or 85% of total debt financing).
- Banks’ contractually long-term funding in Emerging Asia amounts to only 4% of GDP, compared to about 10% in the US and 27% in the Euro area.
- In Asia, Bank lending accounts for 160% of GDP. By contrast, in US it is only 97% of GDP.
## Funding in Asian Economies viz. a viz. Advanced Economies (Wyman, 2013)

<table>
<thead>
<tr>
<th>% OF GDP</th>
<th>TOTAL‡</th>
<th>FUNDING‡</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Advanced economies</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>United States</td>
<td>440%</td>
<td></td>
</tr>
<tr>
<td>Canada</td>
<td>414%</td>
<td></td>
</tr>
<tr>
<td>United Kingdom</td>
<td>791%</td>
<td></td>
</tr>
<tr>
<td>EU*</td>
<td>544%</td>
<td></td>
</tr>
<tr>
<td>Germany</td>
<td>399%</td>
<td></td>
</tr>
<tr>
<td>Netherlands</td>
<td>849%</td>
<td></td>
</tr>
<tr>
<td>Hong Kong</td>
<td>1125%</td>
<td></td>
</tr>
<tr>
<td><strong>Hubs</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Singapore</td>
<td>536%</td>
<td></td>
</tr>
<tr>
<td>Japan</td>
<td>553%</td>
<td></td>
</tr>
<tr>
<td>Korea</td>
<td>372%</td>
<td></td>
</tr>
<tr>
<td>Australia</td>
<td>466%</td>
<td></td>
</tr>
<tr>
<td>China</td>
<td>243%</td>
<td></td>
</tr>
<tr>
<td><strong>Growing giants</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>India</td>
<td>211%</td>
<td></td>
</tr>
<tr>
<td>Indonesia</td>
<td>107%</td>
<td></td>
</tr>
<tr>
<td><strong>Emerging SEA countries</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Thailand</td>
<td>307%</td>
<td></td>
</tr>
<tr>
<td>Malaysia</td>
<td>526%</td>
<td></td>
</tr>
<tr>
<td>Philippines</td>
<td>231%</td>
<td></td>
</tr>
</tbody>
</table>

Funding as a % of GDP:

- Less than 400% in China, India, Philippines, Thailand
- Greater than 400% in US, Canada, UK, EU and Australia
Financing Through Local Equity Market: Rank and Index Value

<table>
<thead>
<tr>
<th>Country</th>
<th>2013-14 Rank</th>
<th>Value</th>
<th>2009-10 Rank</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hong Kong SAR</td>
<td>1</td>
<td>5.7</td>
<td>2</td>
<td>5.2</td>
</tr>
<tr>
<td>Taiwan, China</td>
<td>2</td>
<td>5.5</td>
<td>4</td>
<td>4.8</td>
</tr>
<tr>
<td>South Africa</td>
<td>3</td>
<td>5.4</td>
<td>7</td>
<td>4.7</td>
</tr>
<tr>
<td>United States</td>
<td>6</td>
<td>5.2</td>
<td>36</td>
<td>4.1</td>
</tr>
<tr>
<td>Singapore</td>
<td>7</td>
<td>5.1</td>
<td>5</td>
<td>4.8</td>
</tr>
<tr>
<td>Malaysia</td>
<td>8</td>
<td>5.1</td>
<td>11</td>
<td>4.7</td>
</tr>
<tr>
<td>Japan</td>
<td>12</td>
<td>4.9</td>
<td>24</td>
<td>4.4</td>
</tr>
<tr>
<td>Sri Lanka</td>
<td>15</td>
<td>4.8</td>
<td>17</td>
<td>4.5</td>
</tr>
<tr>
<td>Thailand</td>
<td>18</td>
<td>4.6</td>
<td>28</td>
<td>4.3</td>
</tr>
<tr>
<td>Indonesia</td>
<td>29</td>
<td>4.3</td>
<td>13</td>
<td>4.6</td>
</tr>
<tr>
<td>China</td>
<td>34</td>
<td>4.2</td>
<td>52</td>
<td>3.8</td>
</tr>
<tr>
<td>Bahrain</td>
<td>36</td>
<td>4.1</td>
<td>51</td>
<td>3.9</td>
</tr>
<tr>
<td>Bangladesh</td>
<td>37</td>
<td>4.1</td>
<td>12</td>
<td>4.6</td>
</tr>
<tr>
<td>India</td>
<td>39</td>
<td>4</td>
<td>10</td>
<td>4.7</td>
</tr>
<tr>
<td>Nepal</td>
<td>47</td>
<td>3.8</td>
<td>14</td>
<td>4.6</td>
</tr>
<tr>
<td>Pakistan</td>
<td>61</td>
<td>3.6</td>
<td>43</td>
<td>3.9</td>
</tr>
<tr>
<td>Bhutan</td>
<td>68</td>
<td>3.5</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Russian Federation</td>
<td>86</td>
<td>3.1</td>
<td>107</td>
<td>2.7</td>
</tr>
<tr>
<td>Myanmar</td>
<td>137</td>
<td>1.9</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>
Financing Through Local Equity Market: Index Value

- Myanmar
- Russian Federation
- Bhutan
- Pakistan
- Nepal
- India
- Bangladesh
- Bahrain
- China
- Indonesia
- Thailand
- Sri Lanka
- Japan
- Malaysia
- Singapore
- United States
- South Africa
- Taiwan, China
- Hong Kong SAR

2014
2010
Paucity of “real money” Long-Term Investors

- Insurance and pension funds are still underdeveloped in Emerging Asia. While insurance and pension assets in Asia are only 38% the size of bank assets, in the US it is about 150%. In China, it is even lower at only 11%.

- Insurance and Pension Penetration as a % of GDP is less than 20% in most emerging economies of Asia, as compared to 130% in Australia, 152% in the US and 64% in the Euro region.

- Most Asians still depend on “traditional” retirement support of their children, rather than institutionally funded support from insurance companies or pension funds. Only Malaysia has a mandatory pension coverage.
Weakness in the ability to maintain Financial Stability

- Lack capability to stress test their systems; say on account of real estate price drops. This is on account of lower levels of financial data availability

- Efforts of financial regulators in Asia are not well coordinated. Hence lack Asian voice regarding regulations initiated by the West, such as Basel III.
Good government governance and Impact Assessment remains paramount

- The government needs to have a supportive environment towards PPPs.
- Governments must have a clear criterion, applied consistently, for determining whether projects become PPPs.
- At its end, the government must prepare a clear PPP pipeline by an early announcement of the same.
- Procurement inefficiencies related to high bid costs can be reduced by avoiding further bid stages; and seeking less information requirements; It should also recruit quality government project team members that promote sharing of skills and knowledge between teams.

Additionally, impact assessment of the PPP project should be insisted upon, especially in the context of its impact on poor and marginalized.
Section 7

Conclusion and Policy Implications
Recommendations for Policy Makers

- Should co-ordinate their regional policies to create an efficient and regionally integrated financial sector.

- Should increase transparency to reduce information asymmetries. Should also facilitate information sharing and build capabilities for centrally run stress tests.

- Should standardize processes and listing requirements for efficient capital markets.

- Should provide tax incentives to encourage long-term funding.

- Embrace more sustainable finance model through risk sharing and partnering as equity holders.
Thank You

kaur.simrit@gmail.com