

# **ASEAN PUBLIC-PRIVATE PARTNERSHIP GUIDELINES**

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## FOREWORD

Infrastructure is vital and in increasing demand, especially in emerging economies with rapid rates of economic and population growth. Lack of infrastructure has been a major concern of many Southeast Asian leaders, triggered by the wide gap between demand and supply.

Apart from lacking an adequate supply of infrastructure to support economic growth and rapid urbanisation, emerging countries are also dealing with the challenges of improving the quality of their existing infrastructure. Infrastructure quality is a crucial factor in improving human well-being and safety, production efficiency, as well as expanding capacity. People can move faster and more safely, and can work more efficiently and creatively, giving them larger access to markets. Children can receive decent treatment in hospitals and education in schools, seeding us with hope for a better future across the region. Infrastructure is also believed to be a major factor in poverty alleviation.

As a growing region, Asia is the future of the world. By 2030, Asia will represent two-thirds of the global middle class. Southeast Asia will play an increasingly important role in the world economy. Some of countries in this region have been categorised as middle-income economies, and have started to turn their attention towards avoiding the middle-income trap. Although there are debates among economists on the magnitude of the impact of infrastructure on growth, there is no dispute that when an infrastructure project is selected correctly and the process to develop it is conducted in an efficient way, it can have a significant impact on growth. A recent study by the IMF in its World Economic Outlook dated October 2014 points out that USD1 spent on capital spending (infrastructure) raises output by USD3.

If PPP is based on a good governance process, we should expect that the PPP will be implemented in the right way, providing additional sources for infrastructure finance and supporting economic growth. Efficiency, innovation, and quality are among the key advantages sought by PPP projects. However, setting up and launching a PPP is no easy task, especially in emerging economies with limitations in market characteristics and size, and inexperience with PPPs. Connectivity has become a major issue in the ASEAN community, with calls for faster and better infrastructure development. Thus, PPP is inevitably included in those collective efforts targeting connectivity.

ERIA has been active in conducting this study, capacity-building and supporting ASEAN Member States (AMS) in the areas of infrastructure development and PPP. After a series of PPP country reports in ASEAN, ERIA has produced a book on “Financing ASEAN Connectivity” and now these ASEAN PPP Guidelines. The 9th EAS Chairman's Statement Paragraph 29 dated 13 November 2014 in Nay Pyi Taw, Myanmar, has mentioned these PPP Guidelines as support from ERIA and encouraged further work of ERIA.

These Guidelines are aimed at providing AMS with a customised guide recognising the unique features of ASEAN countries. While aiming at full-featured PPP, the Guidelines also acknowledge possible PPP implementation using a transition state before progressing towards a matured PPP policy state. These Guidelines are the first among PPP guidebooks to be concerned with a transition state of PPP and cross-border PPPs. The features are important because they are the two unique issues in which PPP could play a further role in Southeast Asia beyond its conventional form. Undoubtedly, there are significant challenges to using PPPs. At the current time, the AMS consist of diverse states of development and PPP policy maturity, with no common recipe that would work for all countries. However, PPPs provide room for a larger scope of cooperation and stronger bonding as an ASEAN community.

These ASEAN PPP Guidelines could not have been completed without valuable support from the ASEAN Secretariat and active contributions from the members of the ACCC, under the leadership of U Min Lwin, Myanmar Permanent Representative Ambassador for ASEAN. Among notable parties that generously provided the team with constant inputs and feedback are AMS government officials and the World Bank Infrastructure Policy team in Singapore. ERIA extends its highest appreciation to everyone who has been involved in the writing of the ASEAN PPP Guidelines. It also sincerely hopes that this book can be a valuable contribution in the field of infrastructure development and PPP in Southeast Asia in the years ahead.

Hidetoshi Nishimura

A handwritten signature in black ink, appearing to read 'H. Nishimura', written in a cursive style.

Executive Director, ERIA

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