

Asset Monetization for Sustainable Investments

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The ADB logo is a dark blue square with the letters 'ADB' in white, serif font. It is positioned in the bottom right corner of the slide, partially overlapping the colorful geometric pattern.

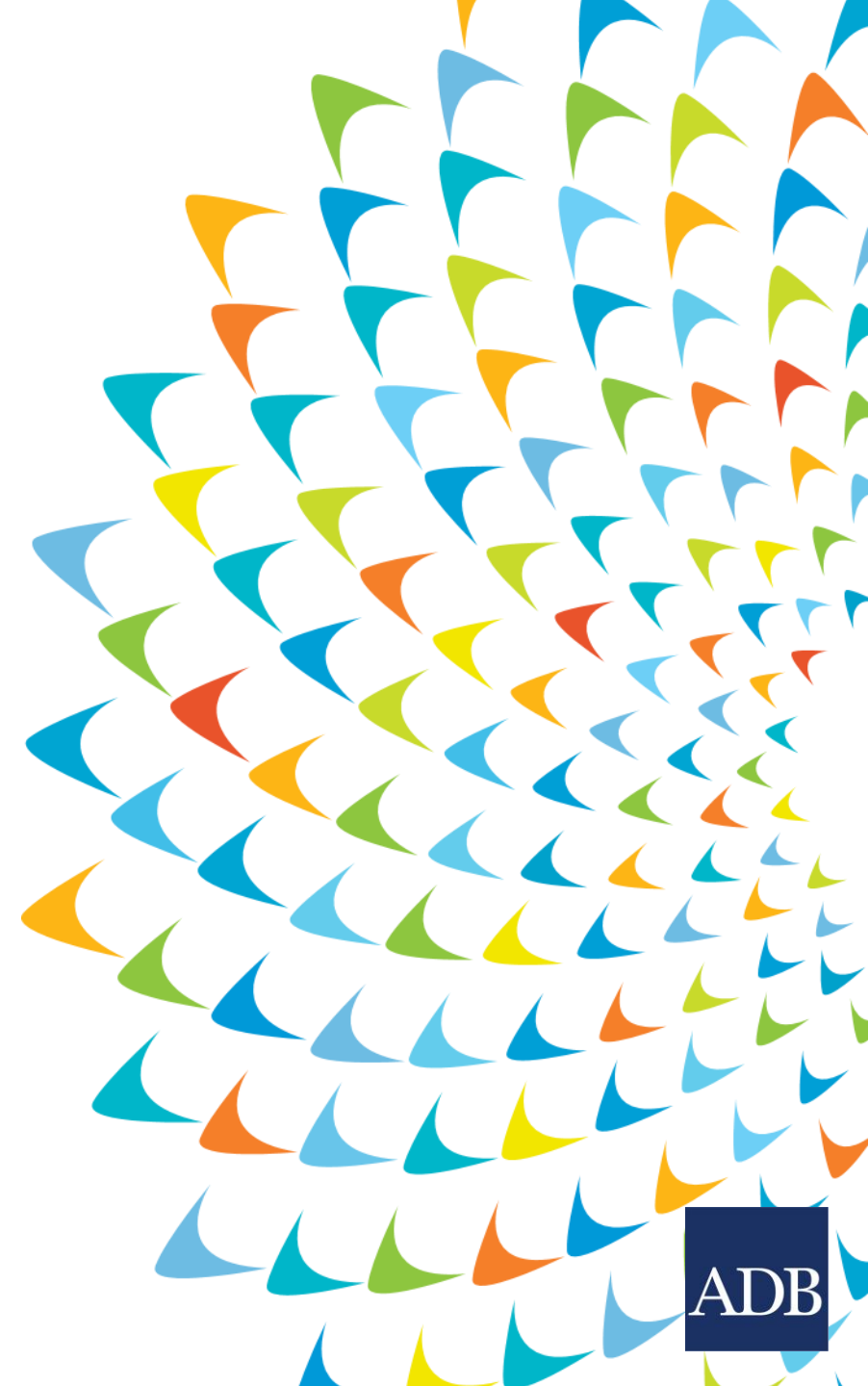
ADB



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Definition and Context





What is Asset Monetization

- Unlocks value from existing public infrastructure assets through private sector participation.
- Methods include concession or lease, which retain public ownership.
- Focuses on operational efficiency, reinvestment, and fiscal returns without outright privatization.



Asset Monetization in the PPP Context

Why it matters . . .



Leverages brownfield assets to fund greenfield development.



Involves structured long-term concessions or O&M contracts.



Supports Indonesia's national development goals and reduces reliance on debt.



Bridges the infrastructure funding gap.

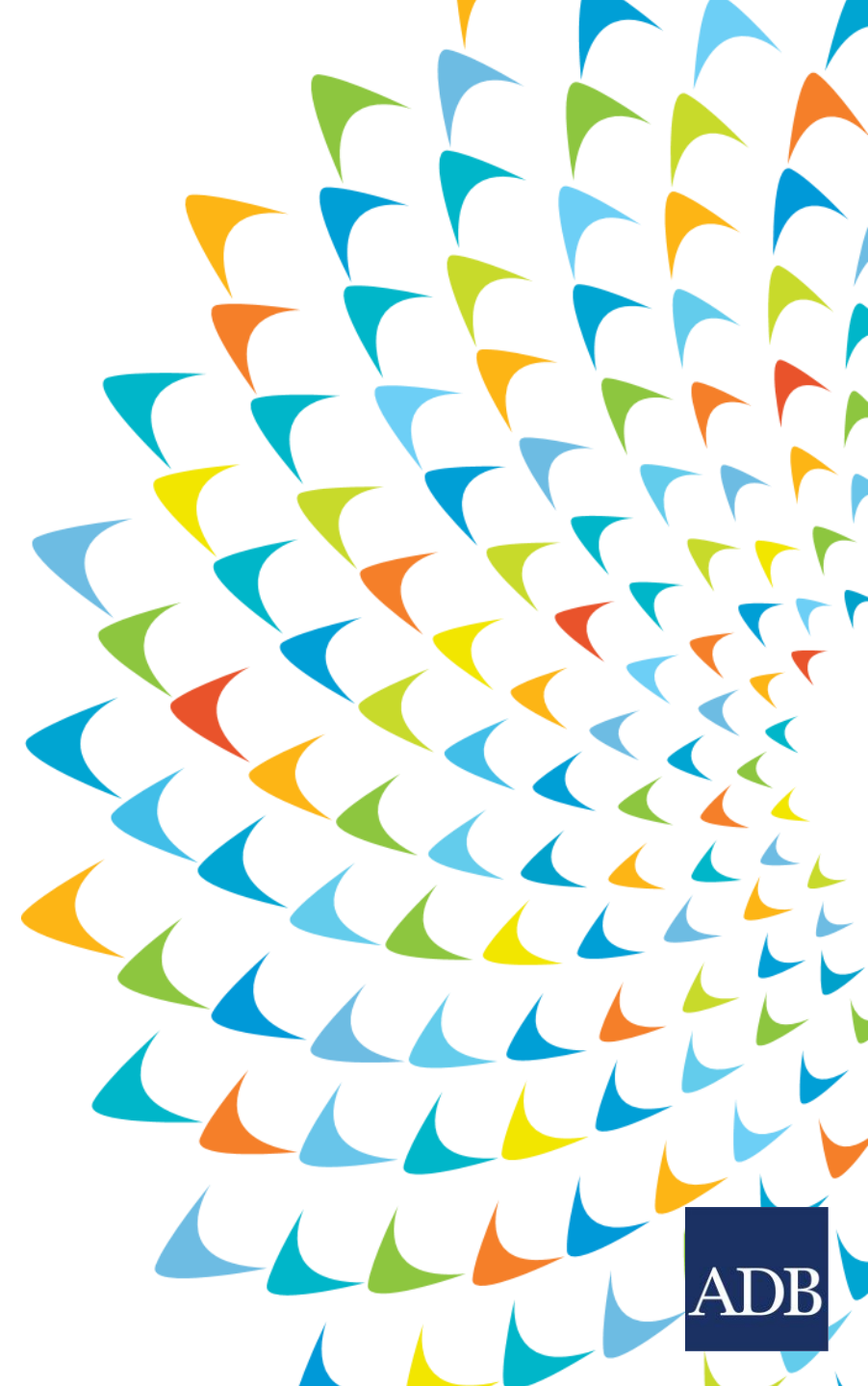


Unlocks fiscal space for priority investments.



Engages private sector innovation and performance.

Key Benefits





Key Benefits for Government



Catalyzing Private Investment

By crowding in long-term institutional capital (e.g., pension funds, sovereign wealth funds), asset monetization diversifies Indonesia's infrastructure financing base beyond public funding and development finance.



Revenue Generation Without New Debt

Asset monetization provides a non-debt, non-tax approach to unlock the value of existing public infrastructure. This supports fiscal consolidation and enhances the government's ability to fund critical programs without adding to sovereign liabilities.



Operational & Maintenance (O&M) Efficiency and Cost Savings

Transferring O&M responsibilities to private partners incentivizes lifecycle efficiency, adoption of modern technologies, and better service standards, thereby reducing public sector burden and cost overruns.



Strategic Capital Reinvestment

Proceeds from monetized assets can be recycled into greenfield infrastructure, especially in underdeveloped regions, accelerating Indonesia's national development goals, such as those under the RPJMN and IKN development.



Risk Transfer

Monetization shifts certain risks—operational, market, and financial—from the government to the private sector, improving project sustainability and budget predictability.



Key Benefits for Users and Broader Stakeholders

Improved Infrastructure and Service Quality

Private sector participation often leads to better-maintained and more reliable infrastructure through contractual performance standards and technological upgrades.

More Efficient Service Delivery

Monetization can unlock managerial and operational innovation, resulting in shorter response times, higher availability, and better customer experience, particularly in transport, logistics, and energy.



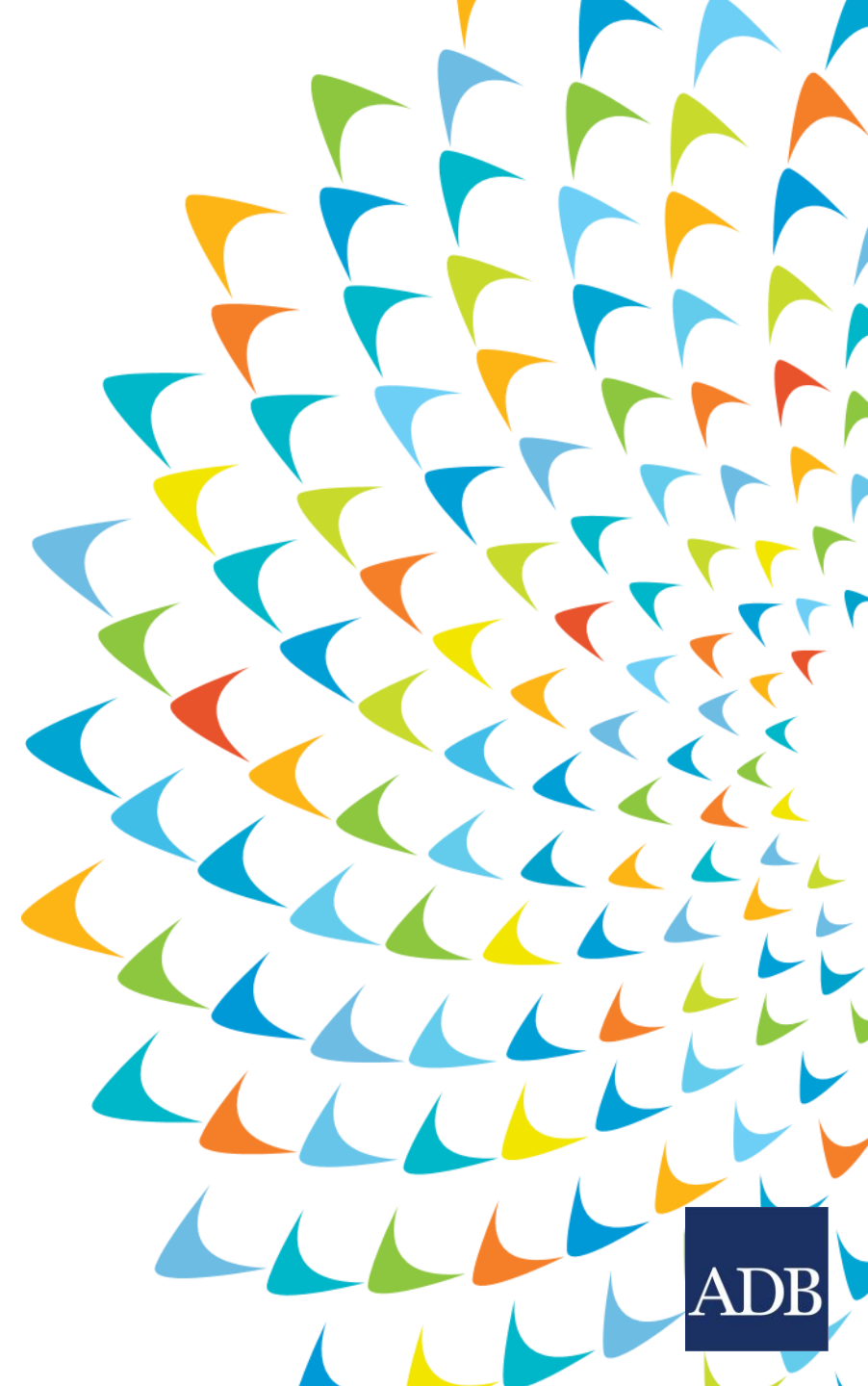
Job Creation and Local Economic Activity

Infrastructure revitalization creates both direct and indirect employment opportunities—during the transition, upgrade, and O&M phases—while also boosting local supply chains and SMEs.

Regional Connectivity and Inclusiveness

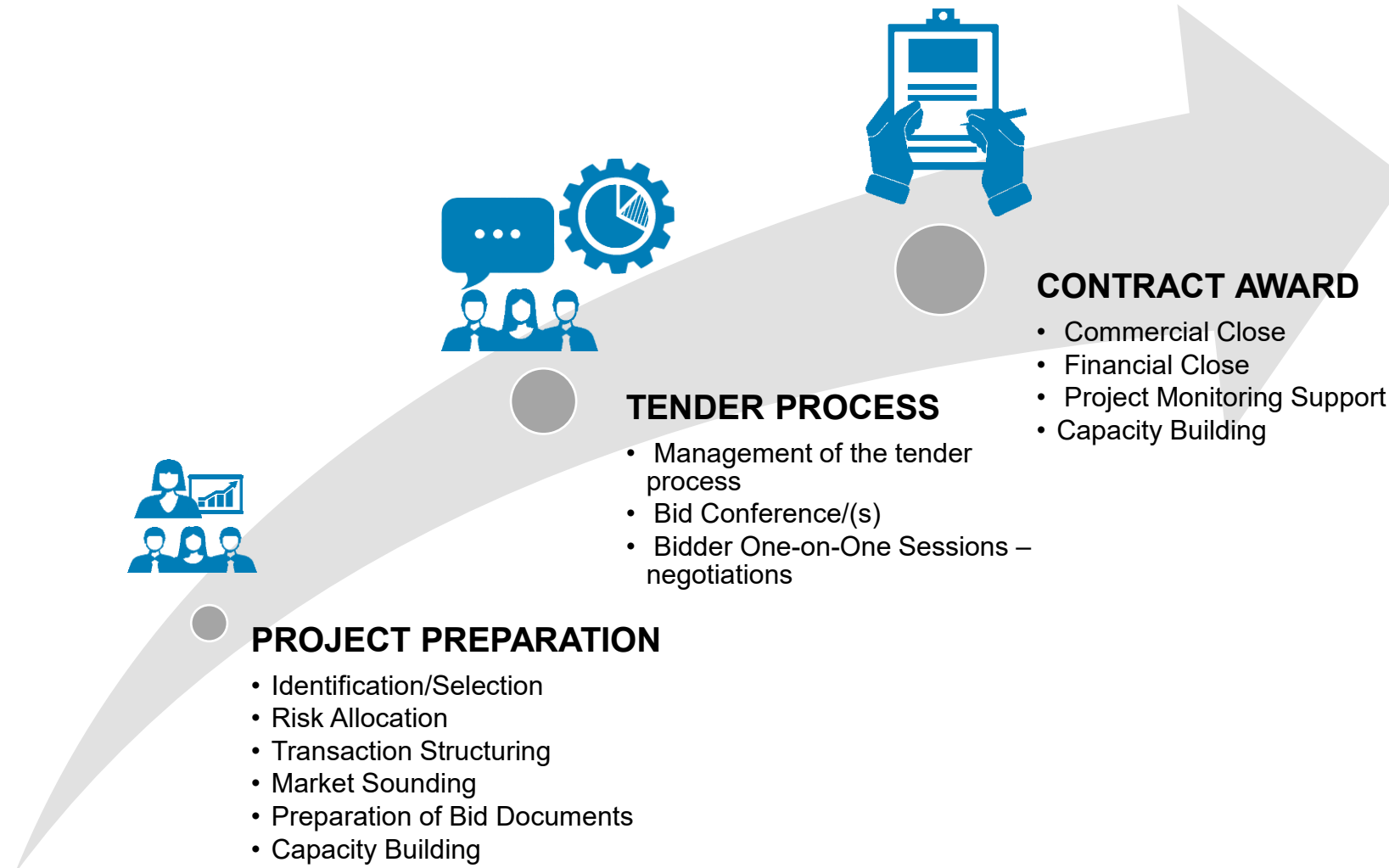
Monetization can help expand and integrate infrastructure networks, especially in Eastern Indonesia and remote areas, improving access to markets, education, and healthcare.

How can ADB help?





Overview of Transaction Advisory Services





Key Considerations

ADB's Office of Markets Development and Public Private Partnerships (OMDP) provides independent advice to deliver bankable transactions that attract qualified private sector players.

Pillar 1	Pillar 2	Pillar 3	Pillar 4
Advocacy and capacity development	Enabling environment	Project development	Project financing
<ul style="list-style-type: none"> • Create awareness • Invoke leadership • Identify PPP potential in sector planning and the private sector development agenda • Develop capacity of Government • Enhance external knowledge management links 	<ul style="list-style-type: none"> • Develop policy, legal, regulatory and institutional framework to facilitate, guide and manage the development of PPPs (country and sector specific) 	<ul style="list-style-type: none"> • Assist in the development of pathfinder projects • Provide support (including advisory support) throughout the process from structuring to bid management and contract award/financial close. 	<ul style="list-style-type: none"> • Provide long-term debt financing including local currency • Catalyze commercial financing by equity, debt and guarantees. • Provide public sector financial support through schemes to ensure viability and cash flow sustainability.
OMDP is unique in having comprehensive operational modalities to support PPP			
Knowledge dissemination, training	PPP Act; Streamlined PPP regulation	Feasibility studies	Sovereign financing
	PPP units; Planning and coordination	Preparation support	Non-sovereign financing
		Transaction Advisory Services	



Criteria for Asset Monetization

To ensure successful asset monetization, we have identified **key criteria**, drawn from global practices and aligned with ADB's framework. ADB is keen to support our Developing Member in identifying potential assets under its management that could be monetized:



Asset Readiness

- **Operational Status:** Asset should be existing or near-completion (brownfield).
- **Legal Title & Ownership:** Clear asset ownership and titles are necessary.
- **Unencumbered Use:** Free from legal disputes, encroachments, or restrictive covenants.



Revenue Potential

- **Cash-Generating Ability:** Must have potential to generate steady, predictable cashflows.
- **Revenue Track Record:** Historical data on usage, income, O&M costs, etc.
- **Market Demand:** Proven or latent demand for the asset's services.



Criteria for Asset Monetization



Marketability

- **Investor Appetite:** Asset should be attractive to credible private players.
- **Benchmarking:** Comparable transactions in the market (domestic or global).
- **Clarity of Risk Sharing:** Well-defined allocation of construction, demand, and regulatory risks.



Transaction Structure

- **Appropriate Monetization Mode:** E.g., concession, lease, TOT (Toll-Operate-Transfer), REITs.
- **Financial Viability:** Value-for-money analysis, IRR/NPV, and affordability for users/government.
- **Bankability:** Ability to secure financing from commercial lenders or DFIs.



Criteria for Asset Monetization



Regulatory & Policy Support

- **Legal Framework:** Supportive PPP/asset monetization laws or guidelines.
- **Tariff/Revenue Regulation:** Predictable rules for price-setting or user fees.
- **Institutional Coordination:** Inter-agency alignment (e.g., DOTr, DOF, PPP Center in the Philippines).



Governance and Transparency

- **Competitive Bidding:** Transparent, fair process aligned with public procurement norms.
- **Independent Valuation:** Third-party asset and transaction valuation.
- **Public Accountability:** Clear KPIs, stakeholder consultations, and grievance mechanisms.

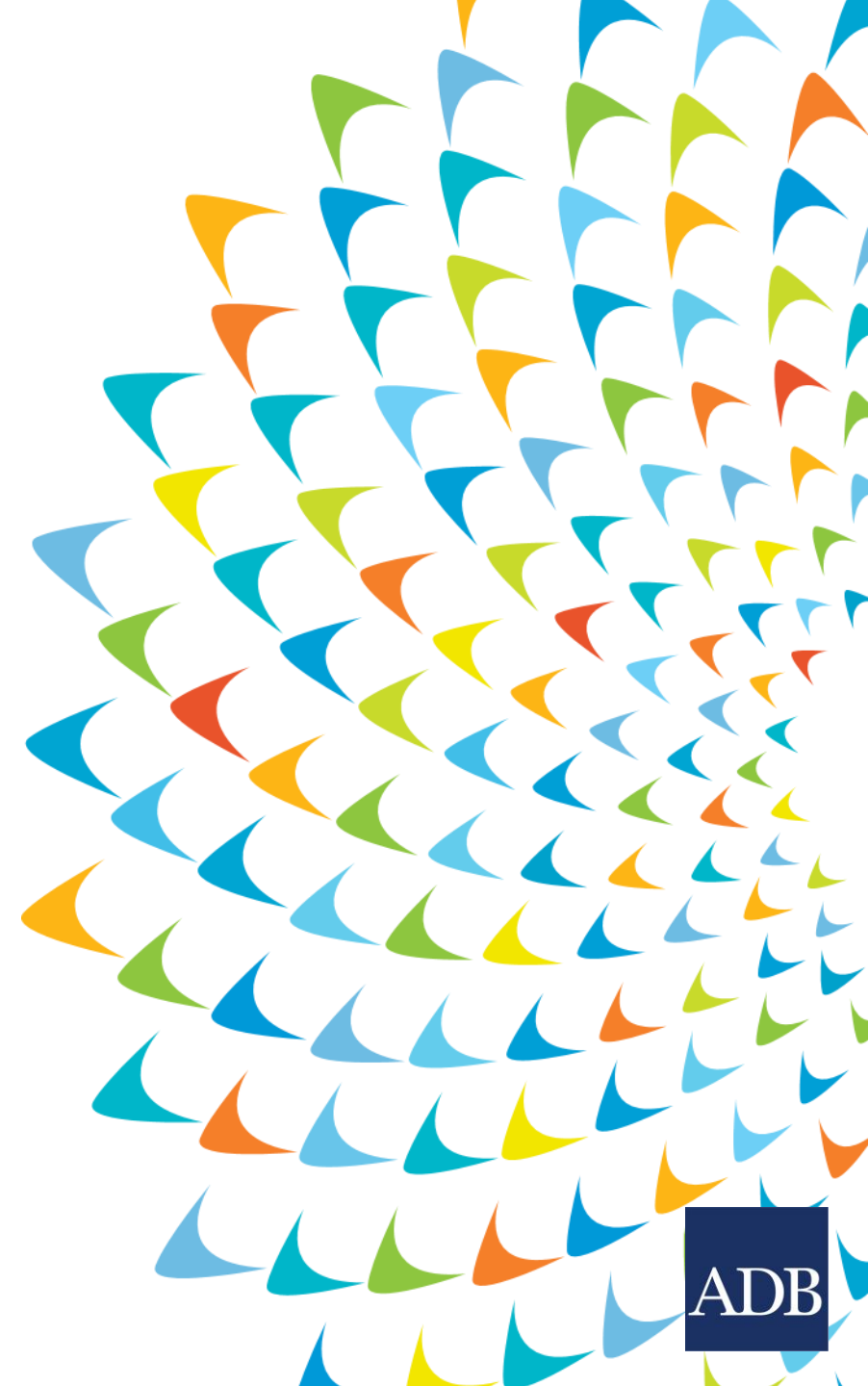


Social and Environmental Considerations

- **Minimal Resettlement Risk:** No major land acquisition issues.
- **Environmental Compliance:** Proper environmental clearances and management plans.
- **Social Impact:** Job creation, improved service delivery, and no adverse community impact.



Case Study: NAIA Airport (MNL)





Project Overview



Project Background and Description

The Government of the Philippines is looking to optimize airport operations by expanding and modernizing the Ninoy Aquino International Airport (NAIA) through a rough a Rehabilitate-Operate-Expand-Transfer arrangement.



Scope of Work

ADB provided Transaction Advisory Services to prepare the project for a solicited tender process for the rehabilitation, expansion, operation, and maintenance of NAIA.



Key Structuring Points

Optimized government receipts through an upfront and annuity payments, and revenue share



Impact

Enhance and modernize airport capacity to address congestion, experience, reliability, and sustainability. Boost connectivity and economic growth.



Holistic ADB approach

Robust transaction advice to maximize value for Government
Social safeguards
Incorporated climate change and adaptation and encouraging the use of Sustainable Aviation Fuel (SAF)

Criteria for Asset Monetization : NAIA Airport PPP

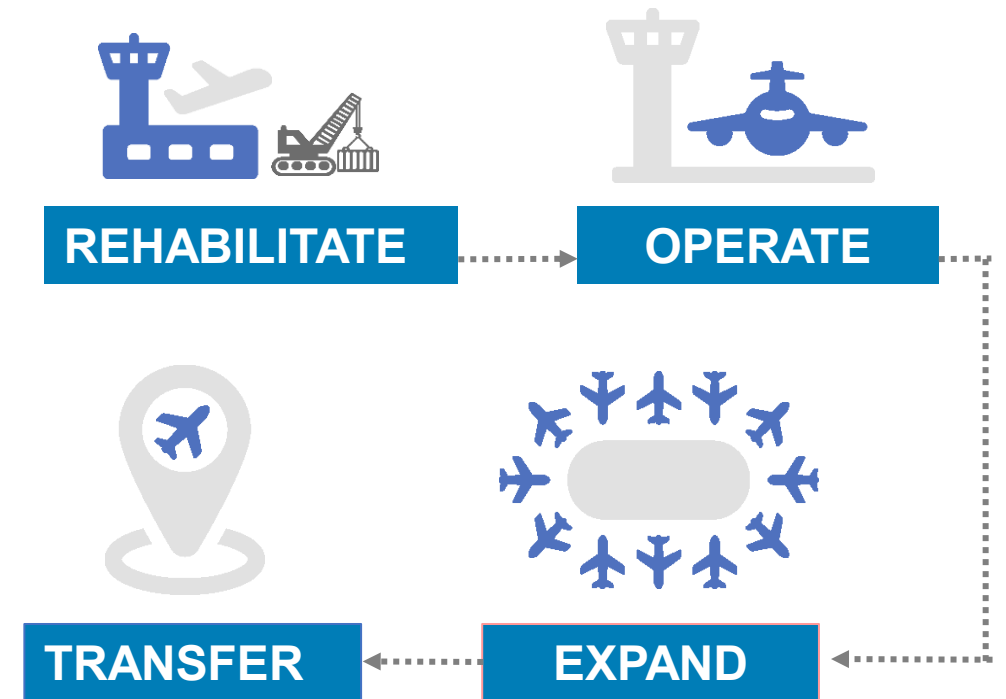
	Economic Viability and Revenue Potential Generate stable revenue, strong demand forecast
	Asset Ownership and Legal Clarity Clear legal control, no regulatory restrictions
	Readiness for Private Sector Participation Technically ready, transparent procurement
	Strategic Importance and Public Service Continuity Significant asset, maintain public access
	Bankability and Market Interest Attractive risk allocation, tariff-setting mechanisms
	Monetization Modality and Structure Suitable structure and balance of payments
	Social and Environmental Safeguards Compliance with social and environmental guidelines
	Alignment with Policy and Planning Frameworks Align with government plans and strategies



Transaction Highlights

NAIA represents a unique opportunity for government to tap into the unrealized potential of NAIA through PPP, mobilizing private capital and harnessing private sector expertise in:

- Optimizing and improving performance – increase runway capacity and peak hourly rate of **48 air traffic movements**
- Maximizing capacity of the airport - increase the capacity up to **62 million passengers per annum**
- Developing commercial potential and undertake commercial development to **enhance passenger experience**





Concession Period

15+10 Years

Concession Period

YEAR

0

O&M Handover

YEAR

8

Extension as long as not in
flagrant violation of the
Concession Agreement

YEAR

15

Start of 10-Year
Extension

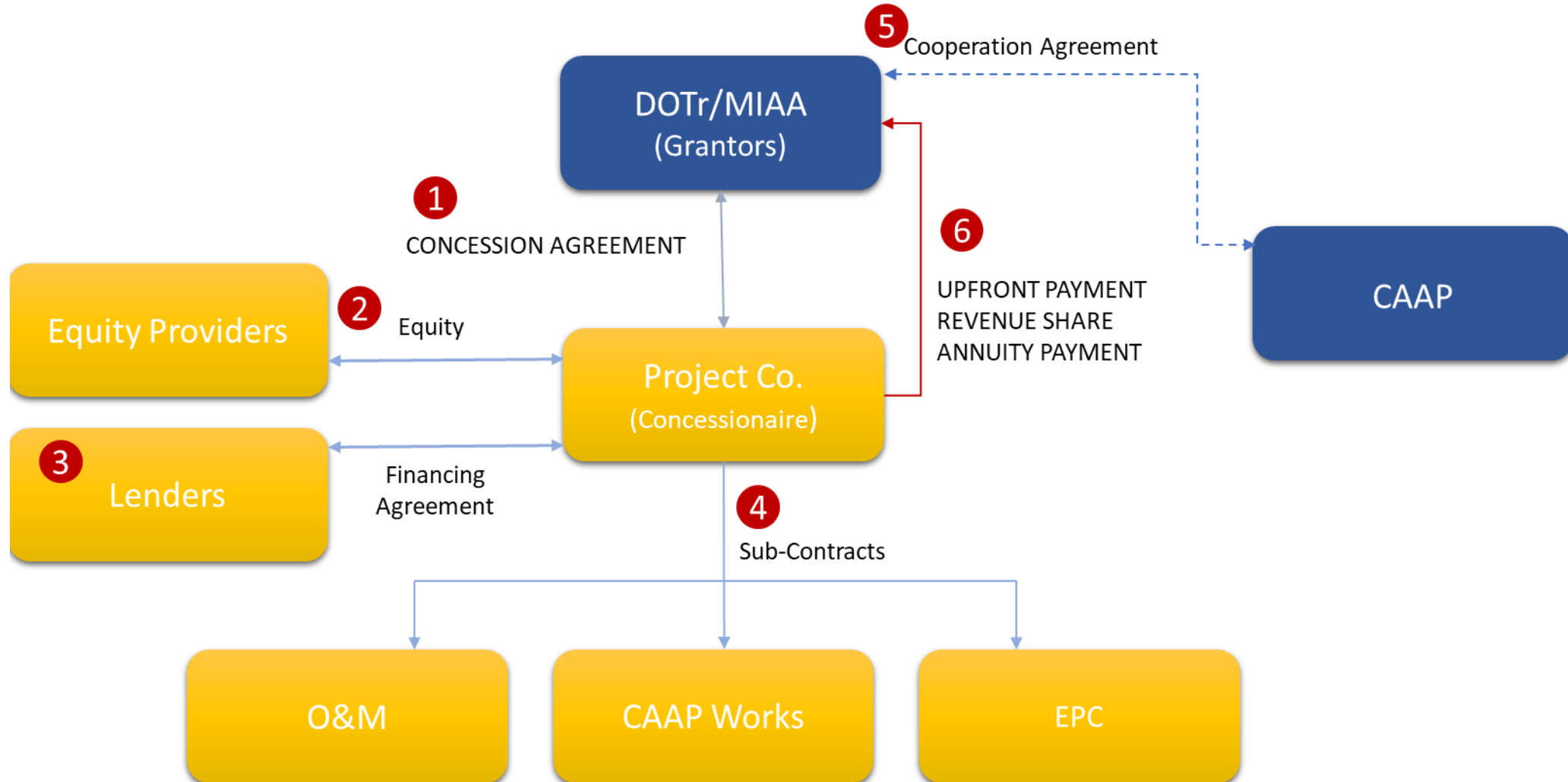
YEAR

25

End-of Concession



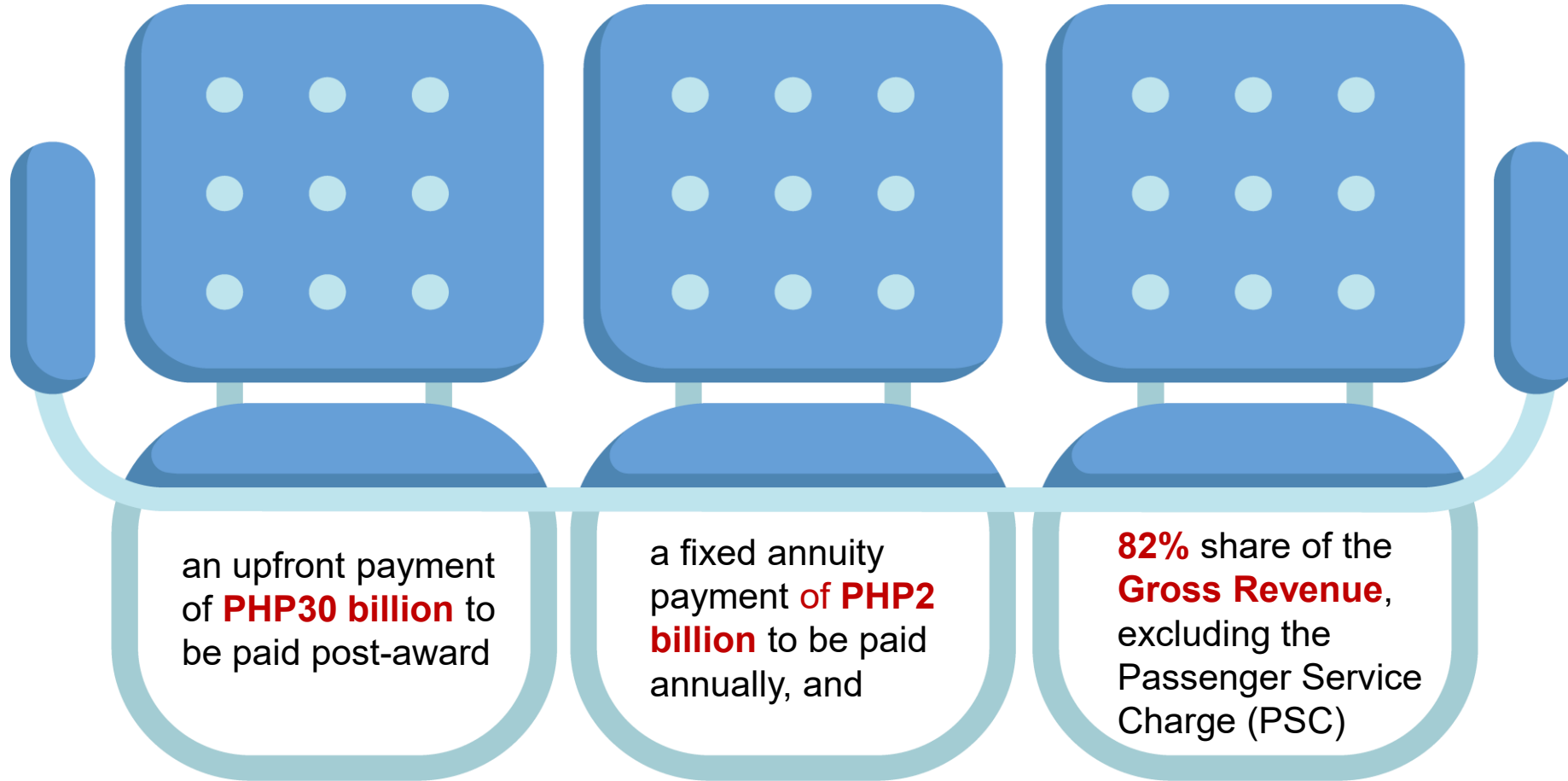
Transaction Structure





Financial Benefits to Government

Three components comprise the Concessionaire's payments to Grantors:



Revenues, based on the percentage share bid by the Concessionaire



Bids Submitted

PHP Billion, Nominal

	Winning Bidder	2 nd Place	3 rd Place	Shadow Bid	Unsol
Revenue share (%)	82.16%	33.30%	25.91%	25.00%	5%
Revenue share to Government	831.12	352.74	323.32	204.77	32.35
Upfront payment and Annuity	80.00	80.00	80.00	80.00	56.64
Total Govt. Payment	911.12	432.74	403.32	284.77	88.99
NPV	341.59	170.77	157.74	127.07	63.44

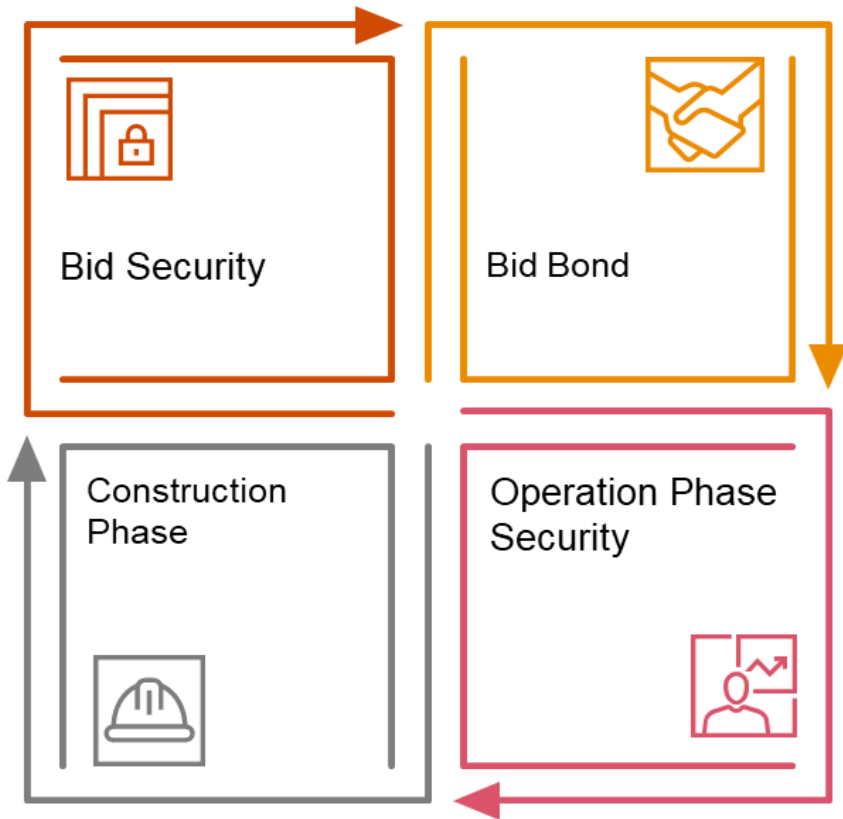
Discount rate = 9%





Bid Mechanics

Bid securities



Bid bond

Construction Phase Security = PHP 3.4 bn

Operation Phase Security = 1% of previous years revenue during construction phase and 2% post construction

Thank you!





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