

THE ADVISORY GROUP ON APEC FINANCIAL SYSTEM CAPACITY-BUILDING

A Public-Private Sector Initiative

Document: AGFSCB 32-039
Draft: **FIRST**
Source: AGFSCB Chair
Date: 13 July 2012
Meeting: Ho Chi Minh City, Viet Nam

Third Meeting 2012

18 July 2012

8:00 AM-10:00 AM

Sheraton Saigon Hotel & Towers

Ho Chi Minh City, Vietnam

Meeting Paper 5-A

Asia-Pacific Infrastructure Partnership: Planned Activities for 2012

Office of the Advisory Group Chair

- PURPOSE** For information.
- ISSUE** Report on the APIP and planned activities for 2012.
- BACKGROUND** In 2010, the Advisory Group and ABAC proposed an Asia-Pacific Infrastructure Partnership (APIP) to bring together high-level officials, experts and private sector advisory panelists from a wide range of relevant fields.
- PROPOSAL** Preparations are underway for a Dialogue with the government of Vietnam on 20 July 2012 in Hanoi, while discussions are currently ongoing with the governments of Indonesia, Russia and Thailand.
- DECISION POINT** Endorsement of planned future activities.

The Asia-Pacific Infrastructure Partnership (APIP) Promoting Public-Private Dialogues in Infrastructure Finance

A forum¹ convened in 2010 confirmed that infrastructure finance is a central issue for the region. There is huge demand for infrastructure investment necessary for continued economic growth, which public sector investment alone cannot meet. The forum yielded the following key messages:

- Despite recent improvements in infrastructure-related policies, key constraints impeding private investment remain – lack of capital market depth, dearth of good quality projects, inadequate regulatory frameworks and concerns about transparency and political, country, exchange and interest rate risk.
- Given the complexity of infrastructure PPPs, overcoming these constraints requires improved understanding and greater trust among relevant parties involved. Structures enabling parties to frankly and objectively discuss and consider complex matters facing each economy can contribute to better understanding of the issues and risks they face and conducive environments for private financing of infrastructure.

In 2010, the Advisory Group and ABAC proposed an Asia-Pacific Infrastructure Partnership (APIP) to bring together high-level officials, experts and private sector advisory panelists from a wide range of relevant fields. In 2011, the following activities were undertaken, in collaboration with the APEC Finance Ministers' Process (FMP), ADB, IDB, IFC and WB, to demonstrate the effectiveness of this model:

Formation of the APIP Private Sector Panel. Senior private sector experts were selected and invited for their knowledge of and experience and active engagement in infrastructure projects from a wide range of relevant fields, including the asset management, commercial banking, investment banking, engineering, property development, information technology, legal and consulting sectors. To date, the panel has 39 members, including current and former ABAC members, chief executives and chairmen of major companies, and other senior executives, legal practitioners and consultants with extensive experience in infrastructure. (*See Annex A.*)

2011 Dialogues with individual governments. Candid and open dialogues among relevant high-level officials from three APEC economies, the APIP advisory panel and experts from multilateral development banks were held in 2011. The agenda were tailored to meet specific needs of individual governments and determined after consultations with concerned ministries and agencies. Dialogues were held with Mexico and Peru in August 2011 in Lima, followed by a dialogue with the Philippines, held in October 2011 in Manila.

Forum on Promoting Private Financing for Infrastructure in APEC. A forum was organized in November in Honolulu under the auspices of the Advisory Group, with ABAC and the World Bank as lead co-organizers in collaboration with the APEC Deputy Finance Ministers. It discussed the outcomes of the Dialogues and the way forward for public-private collaboration to promote infrastructure finance in 2012 and beyond.

¹ This was the Private Infrastructure Finance Forum convened on 7 November 2010 in Yokohama, Japan by the APEC Business Advisory Council (ABAC), Asian Development Bank (ADB) and Japan Bank for International Cooperation (JBIC), in collaboration with the Ministry of Finance, Japan.

Follow-up activities. The 2011 Lima and Manila Dialogues identified a number of areas where governments needed more specific advice. These include:

- contractual arrangement options and requirements for success
- best practices on legal frameworks to protect interests of and attract long-term investors, including how to deal with necessary adjustments while avoiding modification creep;
- best practice taxation measures to support PPPs;
- best practices in the design of infrastructure funds providing equity, debt and/or guarantees to catalyze private investment;
- best practices in design/implementation of bidding process to achieve value for money;
- best practices in outsourcing of PPP processes, especially to circumvent civil service requirements that make it difficult for governments to directly hire experts; and
- best practices in design of PPPs for social infrastructure, particularly health care and education.

As a follow-on measure to respond to these needs expressed by economies during the Dialogues, the Advisory Group initiated research projects conceptualized and managed by the Australian APEC Study Centre at RMIT University with support from the ABAC Research Fund. Three of these research projects have already been completed. The studies will be shared not just with the governments that have expressed their need for advice on these issues in the course of the previous Dialogues, but also more widely across and beyond APEC.

2012 Dialogues with individual governments. At present, preparations are underway for a Dialogue with the government of Vietnam on 20 July 2012 in Hanoi, while discussions are currently ongoing with the governments of Indonesia, Russia and Thailand.

ANNEX A
Asia-Pacific Infrastructure Partnership
Private Sector Panel Members

(As of 5 June 2012)

Chair:

Mr. Mark Johnson, Gresham Partners Limited (*Senior Advisor*)

Members:

1. Mr. Gautam Banerjee, PriceWaterhouseCoopers LLP, Singapore (*Executive Chairman*)
2. Mr. Hans Bayaborda, Hewlett Packard Philippines Corp. (*IFO and Public Sector Strategist, Growth Markets*)
3. Mr. Garry Bowditch, SMART Infrastructure Facility (*Director*)
4. Mr. Duncan Caird, HSBC (*Head of Project Finance Americas*)
5. Mr. James Cameron, HSBC (*Head of Project Finance, Asia-Pacific*)
6. Mr. Thomas Clark, GE Capital (*Vice President, Government Relations*)
7. Mr. Michael Cooper, HSBC Bank Malaysia (*Director, Project Finance*)
8. Mr. Juan Carlos Domínguez, BBVA Pensions and Insurance (*Global Alternative Investment Manager*)
9. Mr. Raphael Dumas, HSBC (*Regional Project Finance Sector Head, PPP/Infrastructure Americas*)
10. Mr. Alfonso Garcia Miro, IPN Investments (*Chief Executive Officer*)
11. Mr. Mark Greenberg, Jardine Matheson Group (*Group Strategy Director*)
12. Ambassador Takuma Hatano, Toyo Engineering Corporation (*Executive Vice President*)
13. Mr. Hidetoshi Kamezaki, Mitsubishi Corporation (*Corporate Advisor*)
14. Mr. Sunil Kaul, The Carlyle Group (*Senior Director*)
15. Mr. Yoshinori Komamura, Komatsu (*Executive Vice President*)
16. Mr. Jonathan Ling, Fletcher Building Ltd (*Chief Executive Officer*)
17. Mr. Hiroshi Maeda, Nishimura & Asahi (*Partner*)
18. Mr. Mauricio Millan, Coraza Corporacion Azteca S.A. de C.V. (*Vice President*)
19. Mr. Arthur M. Mitchell, White & Case Law Offices (*Senior Counselor*)
20. Mr. Seigo Mizunuma, J-Power (*Executive Director*)
21. Prof. Ryan J. Orr, Zanbato (*Co-Chairman*)
22. Mr. Vijay Pattabhiraman, JP Morgan Asset Management (*Chief Investment Officer & Managing Director, Global Real Assets*)
23. Mr. Robert Prieto, Fluor Corporation (*Senior Vice President*)
24. Ms Carmen Pérez de Muniain, BBVA Pensions and Insurance (*Global Chief Investment Officer*)
25. Mr. Steve Plunkett, GE Healthcare Asia-Pacific (*Leader, Hospital/Healthcare Solutions & GE Japan Board Member*)
26. Mr. Rafael Alberto Rodriguez Arancibia, Banco de Chile (*Head, Concessions Division*)
27. Mr. José San Martín Romero, National Institute of Public Administration, Mexico (*Professor*)
28. Mr. William Streeter, Westpac Banking Corporation (*Infrastructure Debt Adviser*)
29. Dr. Ahmad Tajuddin Ali, UEM Group Berhad (*Chairman*)
30. Mr. Kevin R. Thieneman, Caterpillar Asia (*Country Manager for China, India & ASEAN*)
31. Ms. Lynn Tho, Ernst & Young (*Partner, Infrastructure Advisory*)
32. Mr. John Walter, Corrs Chambers Westgarth (*Partner*)
33. Mr. Yoshihiro Watanabe, The Bank of Tokyo-Mitsubishi UFJ, Ltd. (*Advisor*)
34. Mr. Dennis Wright, Peregrine Economic Development International Inc. (*Chief Executive Officer*)
35. Dr. Twatchai Yongkittikul, The Thai Bankers' Association (*Secretary General*)
36. Mr. Roland Yap, GE (*Director, Global Government Affairs & Policy, ASEAN/Global Growth & Operations*)
37. Dr. Yang Yunsong, XY Group International (*President*)
38. Mr. Jaime Augusto Zobel de Ayala, Ayala Corporation (*Chairman and Chief Executive Officer*)

Coordinators:

Dr. Julius Caesar Parreñas, The Bank of Tokyo-Mitsubishi UFJ, Ltd. (*Advisor on International Affairs*)

Mr. Kenneth Waller, Australian APEC Study Centre at RMIT University (*Director*)