

# THE ADVISORY GROUP ON APEC FINANCIAL SYSTEM CAPACITY-BUILDING

A Public-Private Sector Initiative

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## Fourth Meeting 2013

3 October 2013

10:45 AM – 12:15 PM

Salon 2 & 3 (Lobby Level), Ayana Resort and Spa  
Bali, Indonesia

## Meeting Paper 6-C APEC PPP Experts Advisory Panel and Pilot PPP Center

Office of the APEC SFOM Chair

**PURPOSE** For information

**ISSUE** Establishment of the APEC PPP Experts Advisory Panel and Pilot PPP Center, following the proposal of the Advisory Group and ABAC in their 2013 reports.

**BACKGROUND** During the 2013 AFMM in Bali, Finance Ministers committed to establish an APEC PPP Experts Advisory Panel and welcomed the opportunity to support, on a voluntary basis, a pilot PPP centre to assist the Indonesian Ministry of Finance in its ongoing efforts to develop the resources, skills, and capacity of their PPP Centre. (Annex A of the JMS)

The Panel will be a repository of skills that will bring to life good practices in the APEC region, and help channel technical assistance to developing economies seeking such assistance. Its initial role will be to provide guidance and support to a pilot PPP centre, including through mentoring key staff and providing strategic advice. *It will be convened and held in the margins of FMP stream meetings, workshops, APiP meetings* or other relevant forums. It will *coordinate with ABAC and APiP in soliciting broad private sector policy advice, including through the APiP dialogues* with individual governments.

The Panel could comprise, on a voluntary basis, selected experts from APEC economies with developed PPP processes and institutions.

Indicative foundation members might include: (a) the current and next chair of APEC and representatives from across APEC regions; ***a representative from the ABAC and APIP***, and representatives from the World Bank, the Asian Development Bank and the OECD.

A PPP Centre will be created as a pilot project within Indonesia's Ministry of Finance to identify a pipeline of bankable PPP projects within that economy and overcome problems with domestic coordination on a project by project basis. Its key roles will be to: (a) provide technical expertise to the economy for any stage of the project cycle, covering technical, economic and financial questions; (b) ensure coordination by developing and reviewing project structures, removing bottlenecks, filling gaps and identifying problems in the delivery of particular infrastructure projects; and (c) assist to raise the capacity of relevant entities in the economy to develop PPPs. ***The pilot PPP Centre will establish more regular links and consultation with private sector specialists from organisations such as ABAC and APIP***, and relevant domestic organisations.

***PROPOSAL***

N.A.

***DECISION  
POINTS***

Note the outcomes.

Nusa Dua, Bali, Indonesia, 20 September 2013

## **2013 APEC Finance Ministers' Meeting**

Joint Ministerial Statement

### **ANNEX A**

#### **AN APEC PPP EXPERTS ADVISORY PANEL AND PILOT PPP CENTRE**

##### **Infrastructure to underpin future growth**

We the Finance Ministers of the APEC economies acknowledge that investments in quality infrastructure can provide a solid platform for enhanced growth and development across the APEC region, but that such investments require a long term commitment to reform by governments. We understand that improving the operation of infrastructure markets is crucial to addressing growing infrastructure gaps and raising the productive capacity of our economies more generally. Infrastructure spending by governments must be carefully focused towards projects with good financial and social returns. Private sector resources can potentially play an important role in supplementing government spending in order to achieve individual APEC economies' infrastructure (and budgetary) objectives.

To effectively tap private finance, we recognise that a range of reforms to processes and institutions will be required. It is vital to create supportive investment conditions for the private sector in order to increase its involvement in crucial economic infrastructure development in the region – including through innovative methods such as public private partnerships (PPPs). For many APEC economies, the reforms to achieve necessary institutional settings are challenging and will require a long term commitment by governments. In this regard, we take note that a multi-year focus on infrastructure by APEC can provide economies with a supportive environment aimed at sustaining progress in this area. Broad areas of focus could include:

- A solid regulatory framework to foster a business-friendly environment;
- Integrated planning mechanisms;
- Government capacity to identify and generate a pipeline of bankable infrastructure projects;  
and
- Development of a financing and funding environment to encourage long term investors.

We believe it is important to match our words with actions at both a regional and local level. We commit to establish an APEC PPP Experts Advisory Panel (the Panel) reflecting the diversity of APEC economies to enhance infrastructure development in the region, and call on international organisations (such as the World Bank, the Asian Development Bank (ADB), and the Organisation for Economic Cooperation and Development (OECD)) to provide appropriate support. We welcome the opportunity to support, on a voluntary basis, a pilot PPP centre within the Indonesian Ministry of Finance. This support will assist the Indonesian Ministry of Finance in its ongoing efforts to develop the resources, skills, and capacity of their PPP Centre. We expect that monitoring the experience of the Panel and the APEC pilot project in Indonesia will help APEC member economies improve their own capacity to design and deliver effective, bankable PPP projects.

##### **Voluntary APEC PPP Experts Advisory Panel**

The Panel will be a repository of skills that will bring to life good practices in the APEC region,

and help channel technical assistance to developing economies seeking such assistance.

The Panel's initial role will be to provide guidance and support to a pilot PPP centre, including through mentoring key staff and providing strategic advice. The Panel will also:

- assist the development of key, high level organisational aspects of the pilot PPP centre, including its structure, responsibilities and governance arrangements;
- meet regularly with the pilot PPP centre to provide guidance, support and mentoring on processes and technical issues arising in its establishment and ongoing work;
  - To be convened by the chair and held in the margins of APEC Finance Minister stream meetings, workshops, Asia-Pacific Infrastructure Partnership (APIP) meetings or other relevant forums.
- act as a communication channel for the Panel and pilot PPP centre to the region on work undertaken; and
- coordinate with APEC Business Advisory Council (ABAC) and APIP in soliciting broad private sector policy advice, including through the APIP dialogues with individual governments.

In the longer term, the Panel can support the emergence of a connected APEC-wide market for infrastructure investment by helping other economies to develop similar capacity, while understanding that economies will tailor their own centres to reflect different institutional arrangements. The APEC PPP Centres can then be linked into a regional network of PPP centres to share good practices, build capacity, and help align standards.

The Panel could comprise, on a voluntary basis, selected experts from APEC economies with developed PPP processes and institutions. Indicative foundation members might include:

- the current and next chair (on a rotating basis) of APEC (Indonesia and China) and representatives from across APEC regions;
- a representative from the ABAC and APIP; and
- representatives from the World Bank, the Asian Development Bank and the OECD.
  - Panel secretariat services (i.e. meeting preparations/support) could be provided by one of the international organisations (such as the World Bank or the ADB).

The Panel will report back to APEC Finance Ministers on progress of the pilot project. An appropriate independent body could be asked to undertake an interim review of the Panel and the pilot PPP centre after two years, and report the results to APEC Finance Ministers. A full report to Ministers could be made after four or five years to provide sufficient time to achieve results.

If reviews of the pilot PPP Centre show that it is successful, the Panel could provide guidance and support to the roll out of similar PPP Centres in other APEC economies that also wish to develop a similar capacity – or to improve the effectiveness of their existing arrangements.

### **PPP Centre in a pilot APEC economy**

A PPP Centre will be created as a pilot project within Indonesia's Ministry of Finance to identify a pipeline of bankable PPP projects within that economy and overcome problems with domestic coordination on a project by project basis. Its key roles will be to:

- provide technical expertise to the economy for any stage of the project cycle, covering technical, economic and financial questions;
- ensure coordination by developing and reviewing project structures, removing bottlenecks, filling gaps and identifying problems in the delivery of particular infrastructure projects; and
- assist to raise the capacity of relevant entities in the economy to develop PPPs.

It is understood that differing institutional arrangements and approaches in APEC economies – including financial and legislative constraints – will impact on the optimal design features of PPP centres in individual economies.

It is also understood that Governments may also need to think carefully about ensuring appropriate risk allocation in publicly commissioned infrastructure that involves the private sector. The issue is not just about offloading or shifting risk to either party, but about ensuring that risk is assumed and managed by the party best placed to do so.

The pilot PPP Centre will develop an appropriate level of financial and governance expertise in assessing and prioritising projects (including financial arrangements that mobilise public, private and donor resources) at a domestic level.

To support the work of the Panel, we invite APEC economies, international organisations, and ABAC to participate voluntarily in this initiative. Possible roles include:

- APEC economies with established infrastructure/PPP agencies could volunteer the contribution of their officials to work alongside pilot economy officials, or to receive staff secondments from the pilot economy to ‘learn by doing’ in the established infrastructure/PPP agency.
- International Organisations (such as the World Bank, the ADB and the OECD) could assist local officials to design the structure of the pilot PPP centre and help to productively channel offers of technical and capacity building assistance.
- Importantly, the pilot PPP Centre will also establish more regular links and consultation with private sector specialists from organisations such as ABAC and APIP, and relevant domestic organisations.