

THE ADVISORY GROUP ON APEC FINANCIAL SYSTEM CAPACITY-BUILDING

A Public-Private Sector Initiative

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3 October 2013

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

Meeting Paper 6-A

Update on the Asia-Pacific Infrastructure Partnership (APIP)

Office of the Advisory Group Chair

PURPOSE For information

ISSUE N.A.

BACKGROUND N.A.

PROPOSAL N.A.

***DECISION
POINT*** Note the update.

ASIA-PACIFIC INFRASTRUCTURE PARTNERSHIP (APIP)

Update as of 30 September 2013

Promoting greater private sector participation in infrastructure is important due to the benefits of additional financing to supplement inadequate public sector resources, mobilizing the know-how and technology in the private sector to increase the efficiency of infrastructure, and creating the long-term assets to match the investment needs of aging societies. Achieving this requires generating infrastructure projects that are not only cost-effective and have significant impact on economic development, but also provide attractive risk-adjusted returns to lenders and investors.

In 2010, ABAC proposed a model for a regional structure to promote improved understanding and greater trust among relevant parties involved in infrastructure PPP. This model, the Asia-Pacific Infrastructure Partnership (APIP), brings together high-level officials, experts and private sector advisory panelists to frankly and objectively discuss and consider complex matters, the issues and risks they face, and ways to develop conducive environments for private financing of infrastructure.

ABAC invited senior private sector experts selected 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 over 40 members, including top and senior executives of major companies, legal practitioners and consultants with extensive experience in infrastructure. (See Annex A.)

In 2011, ABAC began undertaking activities under the APEC Finance Ministers' Process (FMP) with the collaboration of APEC finance ministries, the Asian Development Bank, the Inter-American Development Bank, the International Finance Corporation and the World Bank. Since then, the APIP has undertaken several high-level dialogues with a number of economies – with Mexico, Peru and the Philippines in 2011, Vietnam and Indonesia in 2012, and the Philippines (follow-up dialogue) and Thailand in 2013.

These dialogues have highlighted several key issues. Among these are:

- lack of capacity to prepare bankable projects that can provide a robust pipeline, as well as capacity for policy reforms and planning;
- the need to better understand risks, which parties are best able to take on which risks in which sectors, and how best to allocate these risks among public, private, multilaterals and other relevant institutions;
- the need to have a transparent and efficient legal and regulatory environment that can reduce risks to the minimum possible;
- need for mechanisms to mitigate risks that the private sector cannot cover;
- lack of long-term local currency finance;
- need for more coordinated and coherent public sector approach to PPPs; and
- importance of having credible and creditworthy public counter parties

These issues revolve around three challenges: capacity, collaboration and financial markets.

- **Capacity:** In many economies, there is a need for more capacity to prepare bankable projects and a pipeline of such projects, capacity to effectively undertake long-term infrastructure planning and transactions, and capacity to improve the credibility, creditworthiness, governance and management of counter parties and institutions in the public sector.
- **Collaboration:** There is a need to bring closer together relevant parties to collaborate and dialogue in order to bridge information asymmetry and design effective solutions. These relevant parties are, from the public sector, relevant ministries, line agencies, off takers, public financial institutions and local governments. From the private sector, they include investors, lenders, operators, developers, and relevant legal and academic experts. Others are multilateral institutions, export credit and development assistance agencies, and local communities. It is important for these parties to be brought together to have a better understanding of risks and how they may be most effectively allocated and mitigated, to better design tax systems, legal and regulatory frameworks, procurement policies and regulations and practices regarding land acquisition, and to identify the areas where resources for capacity building could be focused with maximum results.
- **Financial markets:** The lack of long-term local currency financing is a major bottleneck in a number of economies. The long-term solution to this is the development of the insurance and pension fund industries, robust legal and regulatory frameworks and market infrastructure and practices. In the meantime, multilateral institutions, export credit agencies and local institutions need to work together to make more funding available for specific projects.

The APIP has also actively collaborated and participated in a number of events organized by APEC economies to discuss infrastructure issues. Among these are the following:

- 9 November 2011, Honolulu, USA: Forum on Promoting Private Financing for Infrastructure in APEC – co-organized by ABAC and the World Bank in conjunction with the APEC Finance and Central Banks Deputies Meeting.
- 2 October 2012, Bali, Indonesia: International Conference on Scaling Up Infrastructure Investment in Asia-Pacific hosted by the Ministry of Finance of the Republic of Indonesia.
- 12-13 October 2012, Moscow, Russian Federation: The Second Asia-Pacific Forum organized by the Russian International Affairs Council and the Russian APEC Study Centre – Collaborated in the sessions on energy cooperation and opportunities for integration of transport, logistics and infrastructure in Northeast Asia.
- 21-22 October 2012, Jakarta, Indonesia: Roundtable and Public Forum on APEC's Regional and Global Opportunities.
- 22-23 April 2013, Makassar, Indonesia: APEC Workshop on Infrastructure: Toward a Common Framework of Project Readiness to Increase Infrastructure Investment in APEC Region
- 28-29 August 2013, Palembang, Indonesia: The APEC Second Workshop on Infrastructure and Indonesia-OECD International Seminar: Enhancing the Role of Institutional Investors in Infrastructure Financing

ANNEX A
Asia-Pacific Infrastructure Partnership
Private Sector Panel Members and Multilateral/Regional Partners
(As of 30 September 2013)

CHAIR:

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

MEMBERS:

2. Mr. Nelson Ahn, Kim & Chang (Partner)
3. Mr. Gautam Banerjee, PricewaterhouseCoopers LLP (Executive Chairman)
4. Mr. Hans Voltaire Bayaborda, Hewlett-Packard Philippines Corporation (IFO and Public Sector Strategist)
5. Mr. Garry Bowditch, SMART Infrastructure Facility, University of Wollongong (Executive Director and Chief Executive Officer)
6. Mr. Wayne Robert Boyd, Vulcan Steel (Chairman)
7. Mr. Matthew Bubb, Ashurst LLP (Partner)
8. Mr. Donald Campbell, Davis LLP (Senior Strategy Advisor and Co-Chair, PECC)
9. Mr. Michael Chang, Shin & Kim (Partner)
10. Mr. Yong-Jae Chang, Lee & Ko (Partner)
11. Mr. Myung Hyun Cho, Hyundai Engineering and Construction Co., Ltd. (VP, International Investment)
12. Mr. Thomas M. Clark, GE Capital (Vice President, Government Relations)
13. Mr. Mark Delaney, AustralianSuper (Deputy Chief Executive and Chief Investment Officer)
14. Mr. Juan Carlos Poo Domínguez, BBVA Pensions and Insurance (Global Alternative Investment Manager)
15. Mr. Alfonso Garcia Miro, IPN Investments (Chief Executive Officer)
16. Dr. Michael Goldberg, Canada Pension Plan Investment Board (Director)
17. Mr. Mark Greenberg, Jardine Matheson Group (Group Strategy Director)
18. Ambassador Takuma Hatano, Berwin Leighton Paisner
19. Mr. Hidetoshi Kamezaki, Mitsubishi Corporation (Corporate Advisor)
20. Mr. Sunil Kaul, The Carlyle Group (Senior Director, Asia Buyout Fund)
21. Mr. Kamran Khan, Millennium Challenge Corporation (Vice President)
22. Mr. David Kim, Samsung Engineering Co., Ltd. (EVP and Head, Strategic Marketing Division)
23. Mr. Daizo Koda (Director, Business Development - ASEAN India / ASEAN)
24. Mr. Yoshinori Komamura, Komatsu Ltd. (Representative Director and Executive Vice President)
25. Mr. Yong Uk Kye, LG International Corporation (VP and Head, Project Business Division)
26. Mr. Robin Li, Manulife Asset Management (Chief Investment Officer, Asia Proprietary Accounts)
27. Mr. Hiroshi Maeda, Nishimura & Asahi (Partner)
28. Mr. Mauricio Millan, Coraza Corporacion Azteca S.A. de C.V. (Vice President)
29. Mr. Patrick Mispagel, Moodys Investor Service (Associate Managing Director, Project & Infra Finance Group)
30. Mr. Arthur M. Mitchell, White & Case Law Offices (Senior Counselor)
31. Mr. Seigou Mizunuma, J Power (Executive Director)
32. Mr. Georgy Oganov, Basic Element (Adviser to the CEO)
33. Prof. J. Ryan Orr, Zanbato (Co-Chairman)
34. Mr. Vijay Pattabhiraman, JP Morgan Asset Management (CIO and Managing Director, Asian

- Infrastructure)
35. Ms Carmen Pérez de Muniain, BBVA Pensions and Insurance (Global Chief Investment Officer)
 36. Mr. Steve Plunkett, GE Healthcare Asia-Pacific (Leader, Hospital & Healthcare Solutions)
 37. Mr. Robert Prieto, Fluor Corporation (Senior Vice President)
 38. Mr. Mark Rathbone, PricewaterhouseCoopers LLP (Partner, Advisory and Infrastructure Leader)
 39. Mr. Rafael Alberto Rodriguez Arancibia, Banco de Chile (Head, Concessions Division)
 40. Mr. José San Martín Romero, National Institute of Public Administration (Professor)
 41. Mr. Hojoon Shin, Samsung Corporation (VP, Plant and Machinery Business Unit)
 42. Mr. William Streeter, Westpac Banking Corporation (Infrastructure Debt Adviser)
 43. Mr. Amin Subekti, PT. Indika Energy Tbk (Senior Vice President)
 44. Tan Sri Dr. Ahmad Tajuddin Ali, UEM Group Berhad (Chairman)
 45. Ms. Lynn Tho, Ernst & Young Solutions LLP (Partner, Infrastructure Advisory)
 46. Mr. Allan Wain, Hastings Fund Management (Head of Middle East, Emerging Markets, Asia)
 47. Mr. John Walter, Corrs Chambers Westgarth (Partner)
 48. Mr. Yoshihiro Watanabe, Institute for International Monetary Affairs (Managing Director)
 49. Mr. Dennis Wright, Peregrine Economic Development International Inc. (Chief Executive Officer)
 50. Dr. Yang Yunsong, XY Group International (President)
 51. Mr. Roland Yap, GE (Director, Global Government Affairs & Policy)
 52. Dr. Twatchai Yongkittikul, The Thai Bankers' Association (Secretary General)
 53. Mr. Jaime Augusto Zobel de Ayala, Ayala Corporation (Chairman and Chief Executive Officer)
 54. BTMU Team
 - Mr. Makoto Kobayashi, The Bank of Tokyo-Mitsubishi UFJ (Executive Officer & General Manager, Global Head of Structured Finance)
 - Mr. Takeshi Takahashi, The Bank of Tokyo-Mitsubishi UFJ (Deputy General Manager, Structured Finance Division)
 - Mr. Colin Chen, The Bank of Tokyo-Mitsubishi UFJ (EVP and Regional Head of Project Finance, Asia)
 - Mr. Chong Teck Wei, The Bank of Tokyo-Mitsubishi UFJ (Co-Head of Project Finance, Asia)
 - Mr. Masayuki Fujiki, The Bank of Tokyo-Mitsubishi UFJ (Head of Asian Origination Team,, Structured Finance Division)
 - Mr. Hideto Shimonishi, The Bank of Tokyo-Mitsubishi UFJ (Structured Finance Division)

General Managers of Branches/Subsidiaries in each economy hosting a dialogue.
 55. HSBC Team
 - Mr. Benjamin Gilmartin, HSBC (Associate Director, Financing Solutions Group)
 - Mr. Duncan Caird, HSBC (Head of Project Finance Americas)
 - Mr. James Cameron, HSBC (Head of Project Finance, Asia-Pacific)
 - Mr. Michael Cooper, HSBC Bank Malaysia (Director, Project Finance)
 - Mr. Raphael Dumas, HSBC (Regional Project Finance Sector Head for PPP/infrastructure Americas)
 - Ms. Audra Low, HSBC Singapore (Director, Project Finance)
 - Mr. Gilles Pascual, HSBC (Head of Power and Renewables Asia, Project Finance)
 - Mr. Marat Zapparov, HSBC (Associate Director, Project Finance, Asia-Pacific)

COORDINATORS:

1. Dr. Julius Caesar Parrenas, The Bank of Tokyo-Mitsubishi UFJ Ltd. (Advisor on International Affairs)
2. Mr. Kenneth Waller, Australian APEC Study Centre at RMIT University (Director)

INTERNATIONAL ORGANIZATIONS

1. Mr. Jordan Schwartz, The World Bank (Manager, Infrastructure Policy)
2. Ms. Rachel Freeman, International Finance Corporation (Principal, Advisory Services East Asia and the Pacific)
3. Mr. Jinchang Lai, International Finance Corporation (Principal Operations Officer, and Lead for Financial Infrastructure, Advisory Services East Asia and the Pacific)
4. Mr. Trevor Lewis, Asian Development Bank (Secretariat Coordinator, PPP Community of Practice, Regional & Sustainable Development Department)
5. Prof. Bambang Brodjonegoro, ASEAN Infrastructure Fund (Chairman)
6. Mr. Raffaele Della Croce, OECD (Lead Manager, Institutional Investors and Long Term Investment Project)