

**Advisory Group  
Meeting IV  
PAPER 4-A**



# THE ADVISORY GROUP ON APEC FINANCIAL SYSTEM CAPACITY-BUILDING

A Public-Private Sector Initiative

## Fourth Meeting 2016

14 November 2016

9:00 AM – 10:30 AM

*Ica Room, Country Club Lima Hotel*

## Meeting Paper 4-A

### Summary of Bangkok and Sydney Asia-Pacific Infrastructure Partnership Meeting's and Outlook for Ongoing Initiatives

The Australian APEC Study Centre, RMIT University

<b>PURPOSE</b>	For endorsement
<b>ISSUE</b>	Report on recent APIP Meeting and the outlook for future work
<b>BACKGROUND</b>	<p>The APIP Secretariat organized two meetings for the second half of 2016 (Sydney and Bangkok) in November. Three were planned but unfortunately a meeting in Vietnam on 4<sup>th</sup> November has been rescheduled with plans to be facilitated later this year, possibly in December.</p>
<b>PROPOSAL</b>	<p>Take note of report of the APIP dialogue in Thailand and note that the Vice Minister of Finance, Mr Katchai Sophasitienphong requested an additional dialogue with Thailand be held in 2017 to provide further advice including on the experiences of APIP panel members of good and bad projects.</p> <p>Note the report of the Sydney meeting; issues were highlighted that should influence ABAC's thinking in reassessing the future role of APIP and its relevance in supporting the growth of infrastructure investments in the Asia Pacific region. To further this, a paper will be developed by the APIP Secretariat in coordination with the APIP Chair Mark Johnson AO and ABAC Australia member Robert Milliner for consideration at ABAC 1 2017 in Bangkok.</p> <p>Note that the APIP Dialogue with Vietnam is held in conjunction with the Ministry of Finance, it will consider current and prospective infrastructure projects and financing in Vietnam.</p>
<b>DECISION POINT</b>	Note and endorse the proposed



**APEC Business Advisory Council**

**ABAC 2016**

**Asia Pacific Infrastructure  
Partnership (APIP)**

The Advisory Group on APEC Financial System Capacity Building  
Fourth ABAC Meeting

Michael Fairbairn, ABAC Australia  
14<sup>th</sup> November 2016, Lima Peru  
[www.abaconline.org](http://www.abaconline.org)



## **APIP Dialogue with Thailand** (5 September 2016)

### ***Key issues considered:***

- The importance of infrastructure investment
- A presentation of a road map of Thailand's infrastructure
- A Future Fund is being established to support infrastructure investment
- The need for certainty and clarity in bidding and project approval

### ***APIP recommendations:***

- The identification of 5 or 6 projects that could be brought to market
- Greater focus on the sustainability of projects
- Sufficient foreign exchange cover should be available where foreign capital is involved
- The purpose and operating processes of the Future Fund should be clearly established to avoid conflict of interest



## APIP Outreach Event, Sydney (14 September 2016)

### **Key issues considered:**

- A discussion of infrastructure developments in Australia and the Asia Pacific region, noting government obstacles and inadequate regional coordination
- AIIB is forming a strategic rather than a country-by-country approach
- Specialist agencies like the GIH and IISS are providing a broader view of global infrastructure developments
- The Global Infrastructure Hub is developing a capability framework that will assist countries assess how well they are performing and to define needed reforms; it is also developing the Global Infrastructure Pipeline on projects that have global reach
- The rationale for APIP is subject to changing circumstances; growth of new advisory/data information groups with a broader international perspective
- APIP should be reviewed to assess these new circumstances

### **APIP recommendations:**

- Note that a reassessment will be undertaken of APIP and recommendations on its purpose and future role will be presented to ABAC 1 in 2017

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## Going Forward

- A paper will be developed by the APIP Secretariat, APIP Chair Mark Johnson AO and ABAC Australia member Robert Milliner for consideration at the first ABAC meeting in 2017 on the future role of APIP and its relevance in supporting the growth of infrastructure investments in the Asia Pacific region
- Dialogue with Vietnam (possibly late 2016 or early 2017) on current and prospective infrastructure projects and financing
- A follow-up dialogue with Thailand to provide further advice on the experiences of APIP panel members of good and bad projects
- Other dialogues to be organised taking into account ABAC deliberation on the reassessment of APIP, as noted above.

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**ABAC 2016**

**Asia Pacific Infrastructure  
Partnership (APIP)**

**Mr Michael Fairbairn**  
ABAC Australia and RMIT University

BRIEFING NOTE FOR THE ADVISORY GROUP MEETING ON APEC FINANCIAL SYSTEM CAPACITY BUILDING – ABAC IV MEETING, LIMA, NOVEMBER 2016

*Summary report of the APIP Dialogue with the government of Thailand held in Bangkok, 5<sup>th</sup> September 2016.*

The highly interactive dialogue was generously hosted by ABAC Thailand and by the Thai Bankers' Association. Mr. Kobsak Duangdee jointly chaired the meeting with Ken Waller, ABAC Australia Secretariat in the absence of Mr. Mark Johnson, APIP Chair.

A copy of the agenda and attendees is attached to this report.

The Vice Minister of Finance, Mr Katchai Sophasitienphong welcomed APIP members and a large team of officials, noting that infrastructure development was a key objective of the government, that the agenda for the dialogue was well prepared and that he and his colleagues were keen to benefit from the dialogue. Thailand welcomed domestic and foreign investment, a Future Fund is being established to support infrastructure investment, PPPs would be involved as well as support from MDBs.

The dialogue covered:

- a briefing on the economic outlook for Thailand, with public investment being a main driver of growth and this to encourage private investment.
- presentation of a road map of Thailand's infrastructure which noted that Private Investment in State Undertakings – the PISU – enacted in 2013 provided investment in any form, for example, by the issuance of permits, concessions and other rights and did not just apply to private sector participation; the Future Fund would be a source of finance.
- presentations by Senior representative from the World Bank, the IFC and the ADB who outlined their perspectives on infrastructure financing in Thailand, stressing the need to invest more in preparing detailed projects, the need for a medium-term budgetary strategy and for more openness in procurement and the matching of projects with payback flows.
- Discussion of Thailand's policy to support the development of neighboring countries and the establishment of an agency in the Ministry of Finance to oversee the policy. It was noted that the private sector would be involved in financing proposals relating to the Greater Mekong Delta and that Thailand is working with the ADB and Japan's JICA and would value advice from APIP on risk sharing.

In response to the various issues raised, APIP panel members noted the following points:

- the importance of good process and certainty in bidding and project approvals and noted some ambiguity on whether in Thailand projects would be treated under PPP arrangements
- that over-run costs were mainly as a result of problems with land acquisition
- public officials should be clearly accountable and their decision-making powers exercised transparently and within acceptable commercial time-frames
- viability gap funding should be available where this would contribute to appropriate funding arrangements

- the relationships between an asset owner and the government should be clearly established
- market soundings should be regarded as important and based on factual data; land acquisition matters should be resolved between various levels of government before investors are invited to participate in a project
- a general rule for greenfield or brownfield investment projects was to go for over equitisation
- as regards sub-regional cross border investments network risks could arise from the involvement of different jurisdictions and this would require different pathways to find appropriate outcomes

APIP recommendations:

- the identification of 5 or 6 projects that could be brought to the market
- greater focus on the sustainability of projects
- sufficient foreign exchange cover is available where foreign capital is involved
- the purpose and operating processes of the Future Fund should be clearly established to avoid conflict of interest

In concluding, the Vice Minister sought further advice on the experiences of panel members of good and bad projects, noted the high quality of the dialogue and extended an invitation to the APIP to engage in a third dialogue with Thailand in 2017.

*Summary report prepared by Ken Waller, Director, Australian APEC Study Centre.*

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**Asia Pacific Infrastructure Partnership (APIP) Dialogue with THAILAND**  
**A Public-Private Sector Initiative**  
**5 September 2016, 09.00-12.00 hrs.**  
**At Banyan Tree Hotel, Bangkok**

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- 09.00-09.05**     **Welcome Remarks**  
Mr. Kiatchai Sophastienphong  
Vice Minister for Finance
- 09.05-09.15**     **Overview of the APIP and Dialogue Agenda**  
Mr. Ken Waller  
APIP Coordinator and Director of the Australian APEC Study Centre
- 09.15-09.30**     **Overview of the Thai Economy**  
Dr. Pisit Puapan  
Senior Expert on Macroeconomic Policy, Fiscal Policy Office
- 09.30-09.45**     **Roadmap of Thailand's Infrastructure**  
Representative of Ministry of Finance (TBC)
- 09.45-10.30**     **Key Issues for Thailand's Infrastructure Agenda: Perspectives from  
Multilateral Experiences**
- Moderated by**  
Mr. Kobsak Duangdee  
Secretary General, The Thai Bankers' Association
- "Legal Framework for PPP"**  
Representative of the World Bank (TBC)
- "Financing infrastructure Projects"**  
Representative of International Finance Corporation (TBC)
- "Lessons learned from infrastructure projects"**  
Representative of Asian Development Bank (TBC)
- "Security Package for Infrastructure Financing"**  
Ms. Sawanee Sethathira  
Principal - Head of Energy, Mining, Chemicals & Infrastructure  
Baker & McKenzie
- Responses/questions as appropriate by APIP panel members

**10.30-12.00 Key Issues for Thailand's Infrastructure Agenda: Perspectives from APIP Panelists**

**Moderated by**

Mr. Ken Waller

APIP Coordinator and Director of the Australian APEC Study Centre

**APIP Panelists may refer to and raise for discussion the following infrastructure topics:**

- Securing a pipeline of bankable PPP projects and infrastructure development priorities
- Addressing issues related to policy consistency and transparency of the bidding process.
- Allocation of risks between public and private sectors.
- Institutional issues: Inter-agency coordination.
- Developments in regards to a specialized PPP agency.
- Addressing issues of connectivity and inter-operability.

**Discussants:**

Mr. Oliver Redrup : PricewaterhouseCoopers

Mr. Vijay Pattabhiraman : JP Morgan Asset Management

Mr. Raj Thammineni : JP Morgan Asset Management

Mr. Richard Foster : Foster Infrastructure

Mr. Gordon Dunfield-Prayero : Ernst & Young Solutions

Thai officials are invited to respond, as they see appropriate, to matters raised by APIP panel members.

**12.00-12.20 Sub Regional Infrastructure**

The organization of a Ministerial level meeting with Thailand, Cambodia Laos and China to discuss regional infrastructure matters

**12.20-12.30 Closing Remarks**

Mr. Kobsak Duangdee

Secretary General, The Thai Bankers' Association

**12:30 End of Dialogue**

**12.30-14.00 Lunch Networking**



## APIP Thailand Attendees

Confirmed APIP Panel Members				
Mr.	Hiroshi	Maeda	Nishimura & Asahi	Partner
Ms.	Lynn	Tho	Ernst & Young Solutions LLP	Partner, Infrastructure Advisory
Mr.	Mark	Rathbone	PricewaterhouseCoopers LLP	Partner, Advisory and Infrastructure Leader
Mr	Richard	Foster	Foster Infrastructre	Founder and Director
Mr.	John	Walter	Corrs Chambers Westgarth	Partner
Mr.	Vijay	Pattabhiraman	JP Morgan Asset Management	Chief Investment Officer & Managing Director Global Real Assets - Asian Infrastructure
Mr	Andrew	Pickford	Transport Technology Consultants Ltd	CEO / Head of Technical Consulting
Mr	Nicholas	Brooke	Professional Proprietary Services Group	Chairman
APIP Coordinator				
Mr.	Ken	Waller	The Australian APEC Study Centre, RMIT University	Director
APIP Secretariat				
Ms	Bonnie	Rivendell	APIP Secretariat	

**APIP - Summary report of outreach meeting held in Sydney 14<sup>th</sup> September 2016**

This special meeting was called to discuss infrastructure developments in Australia and the Asia Pacific region; international institutional developments and the role of APIP. It involved representatives of ABAC, the APIP and senior officials from Australian and global agencies and Australian infrastructure private sector specialists. Robert Milliner welcomed participants on behalf of ABAC Australia and Mark Johnson AO, Chair of APIP provided opening and closing remarks. The meeting proceeded under Chatham House rules.

The agenda and a list of participants is attached.

Key points:

i) Australia, New Zealand and the Pacific Islands

- it was noted that challenges in Australian infrastructure relate to fiscal asymmetry between Federal and State Government
- work is ongoing in providing data on a pipeline of projects in Australia and New Zealand and on the development of a charter of infrastructure in the capital cities of Pacific Island states

ii) International institutional developments

- work in the AIIB is focused on developing bank systems and strategies; the bank is forming a strategic rather than a country-by-country approach
- the International Infrastructure Support System (IISS) is a platform to help governments prepare good infrastructure projects and it is supported by major international organizations and bilateral agencies
- the benefits of shared experiences between private and public groups was noted in enhancing the prospects for infrastructure investments; unfortunately, governments in the region do not coordinate effectively and PPP agencies are problematic in some countries
- the Global Infrastructure Hub is developing a capability framework that will assist countries assess how well they are performing and to define needed reforms; the Global Infrastructure Pipeline will focus on projects that have global reach and it will promote standardized information; a risk matrix is being developed to reflect risk in a regional context

iii) The role of APIP

- the original purpose in forming the APIP related to asymmetry in information between public and private sectors; that now seems less relevant given the number of groups now formed providing advice and data to governments; a more nuanced approach might be for the APIP to provide in-depth information of case studies of good and bad projects, drawing on information available to private sector specialists to help Ministers identify weaknesses in their country approaches to infrastructure projects;

- good investment principles developed by global organisations including the G20 and the B20 are relevant to helping regional countries form good infrastructure investment policies and specialist agencies like the GIH and IISS are providing a broader view of global developments; other developments included the impact of digitization, connectivity and structural reform issues being pursued in APEC and elsewhere; linkages between these developments and APIP are highly relevant
- the importance of APIP better understanding localized factors such as local currency availability, limits to the application of best practices and specifications impacting on regional governments were noted
- an important question for APIP as being an advocate for PPPs was raised; best practices are known but often not implemented and thought could be given to APIP focusing on those economies which have a large appetite for reforming the administration and governance arrangements relating to infrastructure investment.

**Post script:**

The discussion highlighted significant issues that should influence ABAC's thinking in reassessing the future role of APIP and its relevance in supporting the growth of infrastructure investments in the Asia Pacific region. A paper will be developed by the APIP Secretariat in coordination with the APIP Chair Mark Johnson AO and ABAC Australia member Robert Milliner for consideration at the first ABAC meeting in 2017.

Summary note prepared by Ken Waller, Australian APEC Study Centre and Co-ordinator, APIP.

7<sup>th</sup> November 2016

**Asia Pacific Infrastructure Partnership (APIP) Outreach Event**  
**A Public-Private Sector Initiative**  
**14 September 2016**  
**Sheraton on the Park, Boardroom 7, Level 5, 161 Elizabeth St, Sydney.**

**AGENDA**

- 8:45 – 9:00**            **Registration**
- 9:00 – 9:15**            **Welcome**  
*Robert Milliner, ABAC Australia Member*  
*Mark Johnson AO, Chair, APIP*
- 9:15 – 10:30**        **Infrastructure Developments in Australia and the Asia-Pacific Region**  
**Moderator: Ken Waller, Director, the Australian APEC Study Centre**  
*Brendan Lyon, Chief Executive, Infrastructure Partnership Australia*  
*Chris Legg, Australian Director, Asian Infrastructure Investment Bank*  
*Christophe Dossarps, Chief Executive Officer, International Infrastructure Support System*  
*Richard Foster, Director, Foster Infrastructure*
- 10:30 – 10:45**        **Morning Tea Break**
- 10:45 – 11:15**        **The role of the Global Infrastructure Hub**  
*Bill Brummitt, Chief Operating Officer, Global Infrastructure Hub*
- 11:15 – 12:00**        **APIP and ABAC's role in the APEC region**  
**Moderator: Ken Waller, Director, the Australian APEC Study Centre**  
*Mark Johnson AO, Chair, APIP*  
*Robert Milliner, ABAC Australia Member*  
*Hiroshi Maeda, Nishimura & Asahi*
- 12:00 – 12:15**        **Concluding Remarks**  
*Mark Johnson AO, Chair, APIP*
- 12:15 – 14:00**        **Lunch**

## APIP Sydney Attendees

Robert	Milliner	ABAC Australia
Ken	Waller	The Australian APEC Study Centre, RMIT University
Mark	Johnson AO	Gresham Partners Limited
Hiroshi	Maeda	Nishimura & Asahi
Michael	Cooper	HSBC Bank
Lee	Worthington	PwC
Bonnie	Rivendell	The Australian APEC Study Centre, RMIT University
Christophe	Dossarps	International Infrastructure Support System
Bill	Brummitt	Global Infrastructure Hub
Jason	de Sousa	Lendlease
Adem	Long	NSW Ports
Beth	Delaney	Australian Department of Foreign Affairs and Trade
Isaac	Bromley	Ernst & Young
Katherine	Holland	Australian Department of Infrastructure and Regional Development
Chris	Legg	Asian Infrastructure Investment Bank
Brendan	Lyon	Infrastructure Partnerships Australia
Philip	Davies	Infrastructure Australia
Richard	Foster	Foster Infrastructure
Chris	Hanger	NSW Department of Industry