

**Advisory Group
Meeting III
PAPER 4-B**



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Roundtable on

Expanding Trans-Pacific Opportunities for Long-Term Investment in Infrastructure

July 25, 2017
Ritz Carlton Ballroom (Salon III & IV)
The Ritz-Carlton Hotel
Toronto, Ontario, Canada

Organized by



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An estimated US\$5 trillion dollars needs to be invested in infrastructure every year through 2030 in order to secure the world’s future growth, according to the World Economic Forum.¹ The Asian Development Bank’s estimate for meeting emerging Asia’s infrastructure needs amounts to US\$1.7 trillion annually.² With many governments facing growing fiscal constraints, the private sector will need to play a larger role in funding these needs, as well as in injecting more efficiency and innovation in the region’s infrastructure.

Facing this huge funding challenge is the opportunity to mobilize a large global pool of institutional investor assets. The OECD estimates such assets in its member economies at USD 92 trillion³, a significant portion of which could be more profitably invested in infrastructure. Confronted with aging populations, lengthening life spans and a low-interest rate environment, these investors are seeking greater portfolio diversification and more profitable investments in long-term assets that match their long-term liabilities.

Translating this opportunity into action will involve addressing various obstacles. These include the lack of capacity in many developing economies’ public sector (especially in line agencies and local governments) to bring bankable projects to the market, the dearth of deep and liquid local currency bond markets that are the usual channels for long-term investment in infrastructure, and the lack of capacity of most pension funds and insurers to directly manage infrastructure assets, especially in developing economies. This Roundtable seeks to help address these issues by bringing together key stakeholders from the public sector, the investor community, infrastructure experts, and multilateral and specialized institutions to identify forms of collaboration that can directly facilitate investment in infrastructure.

¹ This includes investment in energy, building and industrial, transport, telecommunications, water, agriculture and others. World Economic Forum, *The Green Investment Report: The Ways and Means to Unlock Private Finance for Green Growth* (2013).

² Asian Development Bank (ADB), *Meeting Asia’s Infrastructure Needs* (February 2017)

³ Organisation for Economic Co-operation and Development (OECD), *Annual Survey of Large Pension Funds and Public Pension Reserve Funds* (2014).

AGENDA

To access the updated agenda, documents, speaker profiles and relevant logistical details, as well as chat online with other participants, the organizers have provided the mobile platform “EventMobi” for the Roundtable. Those wishing to access this application may proceed through the following steps.

1. Download application called “**ABACx 2017**” (available on App Store or Google Play)
2. Password “**ABACxToronto!**” is required to activate the app.
3. Create an attendees profile by logging in with your email.- this will let you communicate with other attendees and speakers within the app.

09:15-09:45 **Registration and Coffee**
Venue: Grand Foyer, 2nd floor, The Ritz-Carlton Toronto

09:45-10:15 **OPENING SESSION**
Master of Ceremonies: Dr. Julius Caesar Parreñas, Coordinator, APFF and Senior Advisor, Nomura Research Institute, Ltd.

5 mins **Welcome Remarks**
Dr. Eva Busza, Vice-President, Research and Programs, Asia Pacific Foundation of Canada

5 mins **Opening Remarks**
Mr. Hiroyuki Suzuki, Chair, APFF; and Vice Chairman, Nomura Research Institute, Ltd.; Member, ABAC Japan

20 mins **Keynote Address**
Mr. Glenn Campbell, Assistant Deputy Minister, Canada Infrastructure Bank Transition Office, Infrastructure Canada

10:15-12:00 **SESSION 1**
OPPORTUNITIES IN INFRASTRUCTURE ACROSS APEC

Considerable efforts have been undertaken in recent years within APEC and the G20 to leverage resources in organizations such as the ADB, OECD and the World Bank, the Global Infrastructure Hub, the Sustainable Infrastructure Foundation and private sector-led platforms such as the Asia-Pacific Infrastructure Partnership (APIP) and the Asia-Pacific Financial Forum (APFF) to strengthen public sector capacity in bringing bankable projects to the market.

While it remains to be seen to what extent these efforts will lead to the development of a very robust PPP project pipeline in the region, there have already been significant improvements in PPP frameworks and policies and more projects are being brought to financial close at a faster pace in several economies. Governments are collaborating to develop a number of major projects to promote greater physical connectivity across the region. In more advanced economies, various efforts are under way to replace aging infrastructure and attract more private sector financing.

This session aims to provide an up-to-date view of the opportunities that are opening up in various Asia-Pacific markets. An overview of the pipeline of projects in the region will be followed by a panel discussion, where panelists from several economies will share their perspectives on: (a) how the current PPP pipelines in their economies look like and what important projects are planned for the future; (b) what is being done to improve the infrastructure investment climate, and (c) what supporting measures the public sector is providing currently and in the future to ensure the bankability of projects.

Moderator: Mr. Robert Milliner, Senior Advisor for International Affairs, Wesfarmers Limited; Member, ABAC Australia

5 mins **Moderator’s Opening Remarks**

20 mins **Overview Presentation: The Infrastructure PPP Pipeline in APEC**
Mr. Daniel Fedson, Director, Global Infrastructure Hub (GIH)

50 mins **Panel Discussion:**

Dr. Ekniti Nitithanprapas, Director General, State Enterprise Policy Office, Ministry of Finance, Thailand

Mr. Freddy Saragih, Director, Government Support and Infrastructure Financing, Ministry of Finance; and Mr. Irfa Ampri, Vice Chairman, Fiscal Policy Agency, Ministry of Finance, Republic of Indonesia

Mr. Alejandro Blasco, Head of Investor Relations, Mexico Projects Hub, National Bank of Public Works and Services, SNC (BANOBRAS)

Mr. Trevor Lewis, Principal PPP Specialist, South Asia Department, Asian Development Bank (ADB)

25 mins **Open Forum**

5 mins **Moderator's Concluding Summary**

12:00-14:00

Lunch

Venue: Wellington Ballroom, 4th floor, The Ritz-Carlton Toronto

14:00-15:30

SESSION 2

PROMOTING LONG-TERM INFRASTRUCTURE INVESTMENT THROUGH COLLABORATION AND INNOVATION

Institutional investors have traditionally invested in infrastructure through listed companies in equity markets and fixed income instruments. In a number of economies in the region where there is a huge need for infrastructure finance, however, capital markets are underdeveloped and unable to perform this important role. Many efforts are being undertaken today in these economies to create these markets, especially deep and liquid local currency bond markets, but this process will take time, and the lack of debt instruments will remain an impediment for years to come.

While a few of the large institutional investors have built in-house capacity to invest directly in infrastructure projects and are already active in the market, most do not have the teams with the expertise to manage the risks in such projects. However, a number of innovative approaches have been developed, including collaboration among different types of investors, the use of structured products, infrastructure bonds with insurance guarantees and collective trust structures that are already enabling more pension funds and insurance companies to invest in infrastructure.

This session will explore concrete ideas that can provide solutions for policy makers, regulators, multilateral and export credit agencies, government contracting agencies and investors to facilitate the flow of long-term funds for infrastructure projects. It will begin with an overview of how partnership among governments, multilateral development banks, private sector investors, and financiers can provide a new way to collaborate on preparing, structuring, and implementing complex projects where long-term investors can actively participate. Various experts will also discuss proposed ways forward to expand opportunities for institutional investors in the region's infrastructure.

Moderator: Ambassador Donald W. Campbell, Senior Strategy Advisor, DLA Piper Canada LLP; and Co-Chair, Pacific Economic Cooperation Council (PECC)

5 mins **Moderator's Opening Remarks**

15 mins **Overview Presentation: Developing Infrastructure Projects to Attract a Wide Range of Private Investors**

Mr. Jason Zhengrong Lu, Acting Head & Lead Infrastructure Finance Specialist, Global Infrastructure Facility (GIF), The World Bank Group

50 mins **Panel Discussion:**

Mr. Sashen Guneratna, Managing Director, Infrastructure and Project Finance, PwC LLP

Mr. James Cowan, Managing Director, New York / Toronto, Macquarie Infrastructure and Real Assets

Mr. Michael Mulvaney, Managing Director, Public, Project and Infrastructure Finance (PPIF), Moody's Investors Service

Professor Walid Hejazi, Associate Professor of Business Economics and Academic Director, Rotman School of Management, University of Toronto

Mr. Makoto Okubo, General Manager, International Affairs, Nippon Life Insurance Company

15 mins **Open Forum**

5 mins **Moderator's Concluding Summary**

15:30-16:00

Tea Break

Venue: Grand Foyer, 2nd floor, The Ritz-Carlton Toronto

16:00-17:45

SESSION 3

FUTURE PROSPECTS FOR LONG-TERM INVESTMENT IN INFRASTRUCTURE

The landscape of infrastructure finance is rapidly evolving. In the wake of the Global Financial Crisis, major banks witnessed their role as traditional sources of funding for projects significantly impacted by regulatory changes and market developments, as other sources of capital, such as equity and corporate financing, have also been affected. With a growing infrastructure financing gap, institutional investors such as pension funds, insurers, public pension reserve funds (PPRFs), sovereign wealth funds (SWFs) and mutual funds are emerging as major sources of funding.

Institutional investors play important roles in advanced economies and have great potential to grow in many developing economies, where insurance markets and private pensions are still small. Traditionally building their investment portfolios mainly around bonds and equities in the past, institutional investors today are increasingly shifting their investment strategies toward alternative assets such as infrastructure and increasing their international exposure, as they search for yield and diversification amid a low-interest rate environment and volatile equity markets.

This session seeks to discuss the growing role of long-term investors in infrastructure finance, the drivers of this process and their prospects for the future as a major source of financing for the region's infrastructure. It will begin with an overview of their growing activities, the opportunities it presents, and the challenges of addressing the impediments they face. The panel discussion will provide an opportunity for leading executives from private pension funds, PPRFs and insurers to present their views on (a) the role of infrastructure in their current strategies and their plans for raising their allocation to infrastructure, including overseas projects; (b) the key challenges they face; and (c) what measures can enable them to expand their investment in the region's infrastructure, especially in emerging markets.

Moderator: Ms. Sara Yamotahari, Global Sovereign Wealth and Pension Fund Leader, Tax, EY

5 mins **Moderator's Opening Remarks**

20 mins **Overview Presentation: Opportunities and Challenges in Promoting Long-Term Investment in Infrastructure**

Mr. Raffaele Della Croce, Lead Manager, Institutional Investors and Long Term Investment, Organization for Economic Co-operation and Development (OECD)

60 mins **Panel Discussion:**

Panel discussants invited to join this session include senior executives of selected major pension funds, insurance firms and institutional investors as well as associations representing their sectors, who are responsible for investment decisions particularly in infrastructure assets.

Mr. Richard W. Lee, Senior Managing Director, Infrastructure Equity, Manulife Capital

To be updated as we receive confirmations from invitees.

15 mins **Open Forum**

5 mins **Moderator's Concluding Summary**

17:45-18:00

CLOSING SESSION

10 mins **Concluding Observations**

TBD, Government of Ontario

5 mins **Concluding Remarks**

Mr. Hiroyuki Suzuki, Chair, APFF; and Vice Chairman, Nomura Research Institute, Ltd.

18:00-19:30

APEC Business Advisory Council (ABAC) Cocktail Reception

Venue: OneEleven Innovation Hub, 325 Front St W, Toronto, ON M5V 2Y1

Attire: Business

