

Asia Pacific Infrastructure Partnership (APIP)

BACKGROUND BRIEFING TO APEC
STAKEHOLDERS
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What is APIP?

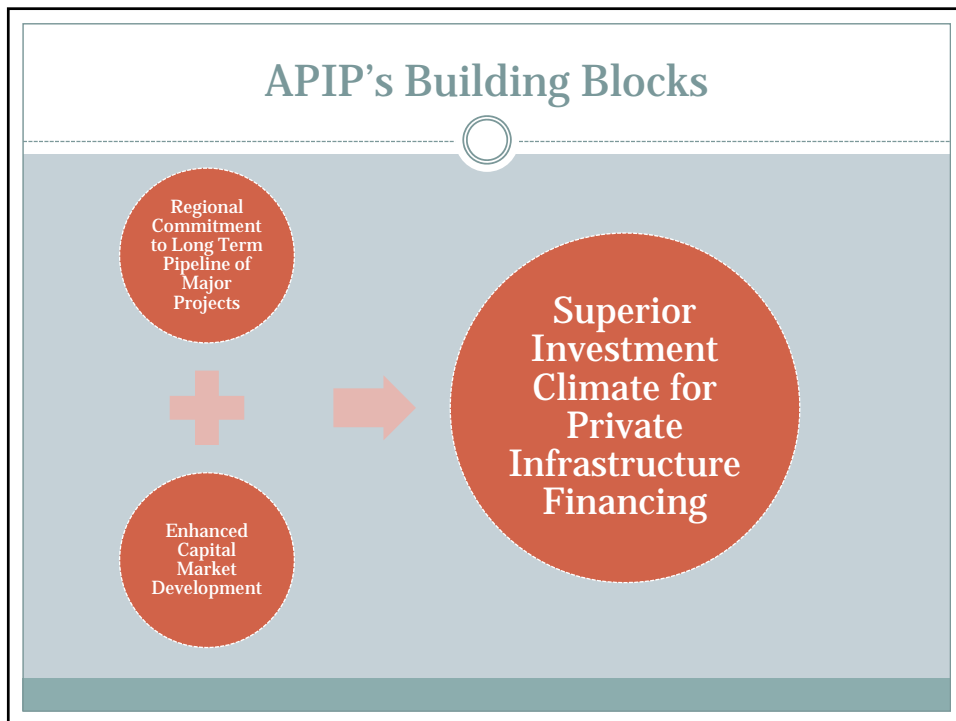
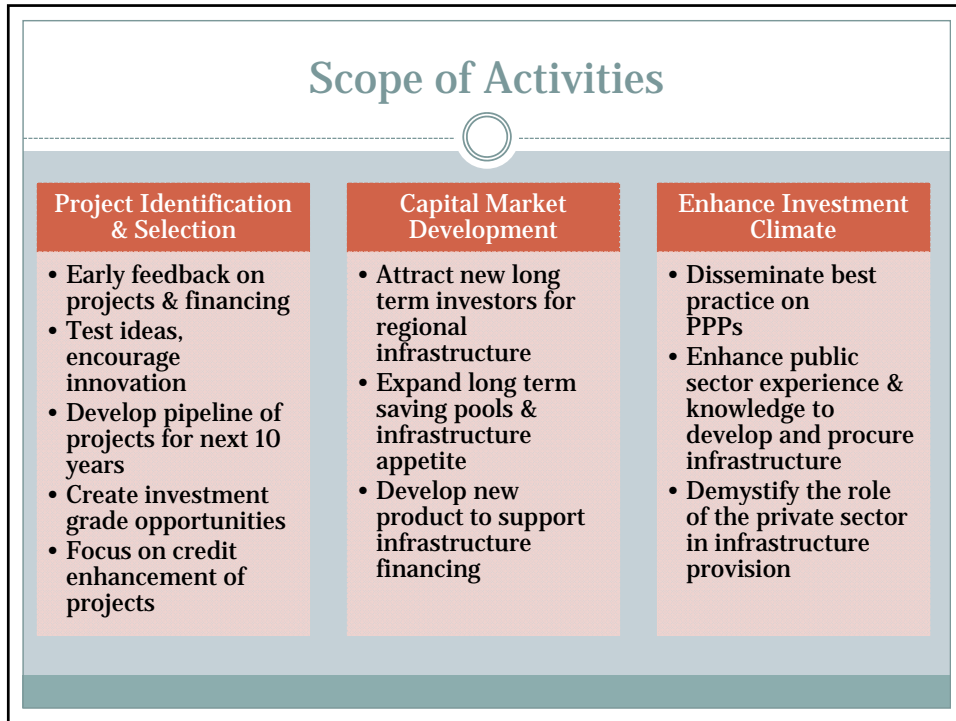
- A regional technical advisory group that will strategically advise governments in the early stages of infrastructure planning on public private partnerships, and private sector financing generally.
- APIP is unique owing to its proposed blend of public and private sector stakeholders, and its commitment to act as an honest broker in achieving high quality relationships that underpin successful infrastructure delivery.
- It is envisaged that APIP will be catalytic and strategic in its operations through its Panel of strategic advisers made up of professionals in engineering, consultants and financiers that will be available to governments and multilateral institutions in the early stages of project planning.
- The Panel will help address information gaps and provide valuable early feedback to governments, who can test ideas on ways of developing projects to optimise project outcomes and effectiveness, and improve interaction with regional capital markets.

Why is APIP needed?

- **To assist with achieving a substantial increase in long term private capital available for infrastructure in the Asia Pacific.**
 - Infrastructure demand is enormous, estimates vary: typically exceed \$US250b pa for Asia Pacific
- **APIP will help fix traditional asset-liability mismatch, through strategic project identification and market readiness advice to government to ensure cost effective private funding.**
- **Early access to quality advice for governments is essential where they can get feedback directly, and test ideas with APIP to better attract private funding and tap new sources of capital pools such as pension funds.**
 - Capital pools in Asia-Pacific are significant but the intermediation capacity of the financial system is under-developed
 - Many pension funds do not invest in infrastructure owing to asset liability mismatch and corporate governance limitations

How APIP will work

- **Focus on PPPs, and private infrastructure financing for regional development.**
- **APIP will enable governments to identify issues very early in the project conception phase.**
 - Delivered through Panel of Experts: technical advice to governments concerning how best to approach infrastructure planning and procurement to maximise effectiveness and value for money
 - Help ensure quality interactions with private sector
- **The intention is to create a forward pipeline of major infrastructure projects to tap new long term funding sources.**



APIP's Desired Outcomes

Bankable Projects

- Establish long term integrated planning for infrastructure within government across Asia Pacific.
- Complete regional pipeline of medium term high quality bankable projects.
- Synthesise project opportunities across region to maximise multilateral investment benefits .

More Private Capital

- Attract long term investors to the infrastructure sector.
- Address long standing asset-liability mismatch in regional capital markets with high quality medium term pipeline of infrastructure projects.
- Expand long term savings pools especially pension, life and superannuation institutions.

Better Investment Climate

- Disseminate region-wide best practice for PPPs and private sector participation in infrastructure.
- Open architecture & knowledge sharing.
- Greater regional cooperation to support long term investment & risk management.

Governance Arrangements

- **APIP will be an independent not for profit entity**
 - free of national and commercial interests
 - operate in an open architecture, non-exclusive environment
 - be a genuine champion of infrastructure development with a focussed agenda, clear and specific recommendations for better, more efficient and timely investment
 - Establish a multi-donor format and work cooperatively with ADB, World Bank and IFC

Implementation Strategy

- APIP is at the 'concept testing' stage of its development with stakeholders
- Consultations are progressing well
 - ✓ ADB – supportive, keen to see APIP develop a multi-donor platform with key countries
 - World Bank & IFC – a reach out effort is getting underway
 - ✓ APEC – supportive, especially in bringing together infrastructure & capital market development streams
 - ✓ PECC – supportive, with particular interest in PPPs to support more effective government procurement

Multi Donor Platform

- A bilateral effort is underway to recruit key member countries within APEC to endorse & participate in APIP's program.
- A multi donor platform will be an important element to the architecture of APIP to coordinate, integrate and complement existing sub-national infrastructure initiatives.
- It is envisaged that about 3-6 countries are should form the inaugural multi-donor group.

Corporate Support

- A 'light' membership agreement with member obligations limited to annual membership fees and general commitment to participate in APIP activities
- Initial seed capital to establish APIP will be necessary, and private sector will be an important potential source
- Steering Committee (Board of Directors) composed of financial sponsors & institutional stakeholders will determine final governance structure, work plan and resource allocation
- A small Secretariat will implement the first stages of the AIP agenda

APIP Pilot Program

- **Objective:** to demonstrate the methodology & style of the APIP processes, and expected outcomes
- **Scope:** maximum of three countries to participate in strategic identification of major infrastructure projects that could be suitable for PPP procurement
 - Panel of experts will work with national governments to identify, scope and bundle projects for PPPs
- **Measures of Success**
 1. To substantially augment existing infrastructure allocations with private finance for high quality bankable projects
 2. Substantial knowledge transfer to improve effectiveness of public & private interactions with major project procurement

Next Steps

- Complete multilateral and bilateral consultations
- Commence reach out to potential corporate member candidates
- Secure initial funding to undertake pilot program
- Develop pilot program to demonstrate processes and outcomes to stakeholders
- Establish inaugural Panel of Advisers
- Keep all stakeholders informed