



THE ADVISORY GROUP ON APEC FINANCIAL SYSTEM CAPACITY-BUILDING

A Public-Private Sector Initiative

PUBLIC PRIVATE PARTNERSHIPS FORUM

OFFICES OF CORRS CHAMBERS WESTGARTH
LEVEL 36, 600 BOURKE STREET, MELBOURNE
9 FEBRUARY 2010, COMMENCING AT 12.30 PM

Sponsored by the APEC Business Advisory Council (ABAC) under the Chairmanship of ABAC Japan, the Advisory Group for APEC Financial System Capacity Building, the Australian APEC Study Centre at RMIT University, and the Department of Innovation, Industry and Regional Development (DIIRD) of the State Government of Victoria

Introduction

The Forum is being convened to promote and further work within the APEC community on Public Private Partnerships (PPPs), which has been the subject of intensive work in APEC over recent years and discussed extensively by APEC Finance Ministers and Leaders at their meetings in Singapore in November 2009. In Singapore, APEC Leaders agreed to develop common approaches towards well-functioning Public Private Partnership markets. They agreed to explore the feasibility of utilising PPPs for the upgrading of transport infrastructure that contributes to the enhancement of supply chain connectivity in the region.

The Advisory Group for APEC Financial System Capacity Building has had under consideration ways to promote initiatives in APEC to promote PPPs in the region, as a contribution to the development and growth of regional economies. It has considered the idea of an Asia Infrastructure Partnership (AIP) and more recently, an Asia-Pacific Infrastructure Partnership (APIP). Such a partnership between the public and private sectors of interested economies and regional and multilateral agencies and academia would be a catalyst to:

- ❖ promote and assist in the development of PPPs in the region, including through capacity building programs;
- ❖ assemble knowledge and information on conditions and terms applying to PPPs, including legal and financial frameworks and documentation and prevailing market conditions for financing PPPs, and;
- ❖ address asymmetry in the information flow between public agencies and the private sector and promote the flow of information that the private sector requires in considering participation in PPPs.

The APEC Finance Ministers' processes (work of Finance and Treasury officials in the region) has included workshops to identify specific issues in developing PPPs in regional developing economies and in November 2009, Finance Ministers received a report on "Meeting APEC's post-crisis infrastructure challenge: Towards commonality in PPP infrastructure markets". The ADBI, the World Bank, the IFC and the ADB have devoted significant resources to promoting and developing an understanding on PPPs in the Asia-Pacific region and elsewhere. Within the APEC community, the Australian APEC Study Centre at RMIT University convened a major capacity building program for regional policy makers on the subject in November 2009.

A great deal of data is now available on understanding the role and purpose of PPPs and the financial and capacity gaps that PPPs could fill in the region. Most recent estimates point to massive financing needs over coming decades. But there is little doubt that the Global Financial Crisis has impacted on financial models and has changed the risk bearing relationship between public and private sector agencies and the costs of undertaking PPPs. As a consequence of the crisis, more thought is needed on how to promote equitable risk sharing between public and private agencies, how to build viable pipe-lines of projects that maintain private sector interests in markets, how to manage higher cost and lower tenor financing, and how to ensure flexibility in arrangements that are sufficient to attract both public and private agencies into PPP activities.

At its meeting in Singapore on 11 November, the Advisory Group and ABAC agreed to the convening of this Forum in Melbourne. ABAC Japan will chair ABAC activities in 2010 and supports the convening of the Forum. (The draft agenda for the Forum is at Attachment 1, below).

Purpose of the Forum – 9 February 2010, Melbourne

Representatives of public agencies and private sector companies, regional and international bodies and academics, will be invited to discuss issues outlined in the agenda – Attachment 1. There are three major components to the agenda:

1. Discussion of contemporary market conditions as seen by private and public sector agencies, as they relate to the promotion and development of PPPs, and to consider measures that might usefully reduce or remove impediments to PPPs.
2. Consideration of the current work of regional and global financial institutions on measures they are undertaking to address impediments to PPPs at this time, including in particular in facilitating risk bearing and financing.
3. Consideration of the support and interest in developing an institutional framework for promoting sustained regional dialogue on infrastructure PPPs among private and public sectors and relevant multilateral bodies, and an offer to host activities for this purpose in Melbourne through 2010. (See Attachment 2, below, about this offer).

A brief report and recommendation could be conveyed to the ABAC meeting in Melbourne, 10 - 12 February, for consideration and recommendation to APEC Finance Ministers.

ATTACHMENT 1

**PUBLIC PRIVATE PARTNERSHIP (PPP) FORUM
MELBOURNE**

TUESDAY 9 FEBRUARY 2010

**CORRS CHAMBERS WESTGARTH
LEVEL 36, 600 BOURKE ST**

12.30-12.45 Registration

OPENING SESSION

12.45-12.50 *Welcome and opening remarks*
Mr John Denton, Partner and CEO, Corrs Chambers Westgarth;
Australian ABAC member

12.50-13.15 Address by **Mr Tony Canavan**, Director, Partnerships Victoria;
Coordinator-General, Nation Building and Jobs Plan, Department of
Premier and Cabinet (Victoria)

13.15-14.00 **Lunch**

SESSION TWO

14.10-14.45 **Contemporary market conditions for PPP contracts**

Chair: **Mr Mark Johnson AO**, Chairman, Advisory Group on APEC Financial
System Capacity Building

Panel: **Mr Rory Brennan**, General Manager, Infrastructure Australia
Changing financial impacts following the global financial crisis

Mr Yoshihiro Watanabe, Mitsubishi UFJ Financial Group Inc, Japan;
Chair, ABAC Finance and Economics Working Group
*Japanese infrastructure financing and the India / Japan infrastructure
relationship*

Dr Narongchai Akrasanee, Chairman, MFC Asset Management PLC,
Thailand
*Addressing impediments to long-term finance for infrastructure in
Thailand*

Q&A: Session Chair's summary comments

SESSION THREE

14.45-15.30 **Current measures by regional and global financial institutions to address impediments to PPPs, particularly in risk bearing and financing**

Chair: Mr Darrin Grimsey, Partner, Project Finance, Ernst and Young

Panel: Mr Takaya Naito, Executive Officer, Japan Bank for International Cooperation (JBIC)
Assessing adequacy of governments for financing measures to support PPPs in the region

Mr Michael Barrow, Director, Infrastructure Finance Division, Asian Development Bank
How relevant are IFI guarantee instruments in PPP arrangements?

Mr Maarten Wolfs, Director, Project Finance, PWC
A business perspective on how regional and global financing can support PPP infrastructure

Q&A: Session Chair's summary comments

15.30-15.50 **Coffee Break**

SESSION FOUR

15.50-16.45 **Establishing an Institutional Framework for an Asia-Pacific Infrastructure Partnership – an offer to support activities in Melbourne through 2010**

Chair: Dr J. C. Parrenas, Coordinator, Advisory Group on APEC Financial System Capacity Building

Panel: Professor Gill Palmer, Pro Vice Chancellor, College of Business, RMIT University
Promoting an institutional framework for the region and an offer to support the concept at RMIT University

Mr Hidehiko Nishiyama, Co-Chair, APEC Senior Official's Meeting; Director General for International Trade Policy, Ministry of Economy, Trade and Industry, Japan
Promoting an Asia-Pacific Infrastructure Partnership from the perspective of APEC

Mr Xavier Csar, Executive Director, Economic Projects International
Coordination Department of Innovation, Industry and Regional
Development, State Government of Victoria
*Resourcing an initial phase of the development of an institutional
framework*

Mr Eugene Ong, Corporate and Project Finance, The Bank of Tokyo-
Mitsubishi UFJ, Ltd.
*How to promote private sector participation in an Asia-Pacific
Infrastructure Partnership*

Q&A: Session Chair's summary comments

CLOSING SESSION

16.45-16.55 *Summary comments on the Forum*
Mr Mark Johnson AO, Chairman, Advisory Group on APEC Financial
System Capacity Building

Concluding comments
Mr John Walter, Partner, Corrs Chambers Westgarth

17.00-17.30 **Cocktail Reception**

ATTACHMENT 2

PROPOSAL **TO DEVELOP AN INSTITUTIONAL FRAMEWORK TO PROMOTE PUBLIC PRIVATE PARTNERSHIPS IN INFRASTRUCTURE IN THE ASIA-PACIFIC REGION**

As a guide for the Forum discussions, it may be useful to consider the following points:

- a) the utility of developing an institutional structure
- b) membership and governance
- c) objectives of a first phase

a) Utility of developing an institutional structure

The primary value would be to develop an arrangement to initiate focused discussions and activities between public and private groups and others about PPPs in the region.

It would not substitute for many other activities in the PPP space but would complement them

A structure would aim for practical outcomes:

- collect and disseminate data on what is being done in PPP activity
- develop and maintain useful data on financing developments related to PPPs and emerging contractual developments
- support and promote capacity building initiatives
- promote ways to attract public and private funding of these activities

An initial and useful step in the process of developing a comprehensive public private partnership group could be an initiative in Melbourne in 2010 to start the promotion of the outcomes noted above.

The initiative would run through to end December 2010 and facilitate thinking and on the utility of establishing a permanent structure for a Public Private Partnership arrangement and its location.

In the initial period, public and private agencies could consider ways to complement funding of activities through 2010 and to the longer-term funding of a PPP arrangement.

b) Membership and governance

Membership would be open ended to public and private agencies that wished to support it and to regional and international agencies that work in the PPP field.

An advisory group could be agreed to develop governance arrangements for members to agree. Initially the group could comprise the Chairman of the Advisory Group on APEC Finance System Capacity Building, representatives of:

- private firms interested in promoting PPP activities
- the World Bank, ADBI and ADB
- APEC economies
- State Government of Victoria
- RMIT University

Activities in the initial phase through 2010 would be managed under the direction of the Director of the Australian APEC Study Centre at RMIT University.

c) Funding of activities through 2010

The State government of Victoria provides a financial grant to the Australian APEC Study Centre for the activities of the Melbourne APEC Finance Centre (MAFC) a facility managed by the Australian APEC Study Centre. The amount of the grant recently made available to the Centre is \$A620,000. The purpose of the grant is for MAFC to support Victoria as a centre of excellence in training financial system regulators in the Asia Pacific region and to promote Victoria as a regional financial centre.

The State Government of Victoria and RMIT University are agreeable to a proportion of the funding available for MAFC activities to be made available to support activities contemplated in the initial phase of the development of the PPP infrastructure framework, to be administered by the Australian APEC Study Centre in cooperation with interested parties, over the period until end December 2010.

It may be possible to extend this further but no commitments to do that can be made at this time.