



THE ADVISORY GROUP ON APEC FINANCIAL SYSTEM CAPACITY-BUILDING

A Public-Private Sector Initiative

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Taipei, Chinese Taipei

Meeting Paper 5-C

Asia-Pacific Infrastructure Partnership (APIP) Concept Paper

Australian APEC Study Centre at RMIT University

**THE ADVISORY GROUP ON APEC FINANCIAL SYSTEM CAPACITY BUILDING
SECOND MEETING 2010, 20 MAY 2010, TAIPEI, CHINESE TAIPEI.**

AGENDA ITEM 5: ASIA-PACIFIC INFRASTRUCTURE PARTNERSHIP (APIP)

**PAPER SUBMITTED BY KEN WALLER, DIRECTOR, AUSTRALIAN APEC STUDY
CENTRE, RMIT UNIVERSITY (AASC).**

Introduction.

This paper should be considered in conjunction with the advice contained in accompanying papers under this item prepared by the Coordinator of the Advisory Group.

The accompanying papers note that the Advisory Group and ABAC are taking four steps to develop an Asia-Pacific Infrastructure Partnership. The First Step proposes the formation of the private sector component of the tri-partite partnership. The Second Step proposes an initial activity involving the private sector in activities related to the APEC Senior Finance Officials' Infrastructure PPP initiative planned to be held in Melbourne on 6th August 2010.

This paper discusses matters relating to:

- the development of the institutional framework of the APIP and its structures to reflect the broad interests of the various stakeholders in the region taking into account the many discussions in the Advisory Group and the views expressed in the Forum and the workshop held in February in Melbourne – summarised in Attachment 1.
- the next step involving a proposed high level Ministerial dialogue with the private sector and IFIs – this is planned to take place in Melbourne on 6th August and being organized by the Australian Treasury. (This would provide an ideal opportunity to further the Partnership concept).

**1. Proposed Objectives, Institutional Framework and Structure of the
APIP**

Drawing on extensive discussions on this subject in ABAC and the Advisory Group, there is general agreement that the Partnership should embrace the following concepts:

- **Objectives** – a tripartite partnership of public and private sectors, IFIs and academics formed to promote regional cooperation between interested parties and to provide impartial and objective

advice to governments and their agencies in the Asia Pacific region on the development, implementation, financing and management of PPPs in economic and social infrastructure and on capacity building initiatives, in furthering the development of regional economies

- **Membership** – should aim to encourage the participation of individuals who meet the following criteria:
 - experts in PPPs from relevant public policy agencies in the region
 - private sector experts with deep experience in the region and elsewhere in the development, implementation, management and financing of PPPs
 - senior representatives of IFIs with strong commitments to PPPs in the Asia Pacific region and globally
 - academics with a depth of experience as advisors to governments and/or private sector groups involved in PPPs in the region and globally.

Obligations of members

- To provide advice in their personal capacity and not to seek to represent specific interests in their work in the Partnership. This would not exclude them from providing advice in another capacity at the request of a government or an agency of a government.
- While emphasis is placed on the voluntary nature of individual participation in the Partnership it would be expected that in the period immediately following the establishment of the Partnership members would join for a minimum of three years

Structure and Governance

- To reflect the role and the impartiality of the Partnership, the chair of the Advisory Group on APEC Financial System Capacity Building would ordinarily be the chair of the Partnership.
- Smaller expert groups may be formed from the Partnership to respond to specific requests for advice/assistance from regional economies
- The Partnership would meet at least once a year in conjunction with the second or third ABAC meeting and in the location of that ABAC meeting and at other times as determined by a consensus of members at that meeting. Other meetings should ordinarily be convened in concert with an ABAC meeting

- Secretariat support will be provided by AASC for the period up to and during the inaugural meeting of the Partnership, provided this is convened before mid-year 2011.
- Thereafter members would determine the location of the Secretariat

Funding the Partnership

- An estimate of the cost of a modest Secretariat function would be \$US125,000 annually. The assumptions are:
 - One or two meetings annually in the Asia Pacific region
 - Members would pay their own fares and accommodation in attending meetings
 - The Secretariat would organize the program, and domestic sponsorship to cover the hosting of social events associated with a meeting
 - The Secretariat would organize the preparation of papers and documents for meetings and provide Secretarial support at meetings
 - The cost of preparing papers would be borne by those members who are invited to submit papers
 - The Secretariat would develop and maintain a web-site to support the Partnership
- The Secretariat function could grow over time and the funding would need to be adjusted to reflect any additional services that members agreed to be appropriate. For example, access to a major data base could become an important component of the Secretariat function and the costs of access would need to be properly reflected in budget decision making.
- In an initial phase over say the first three years following its establishment of the Partnership, it is proposed that a levy of \$US6,500 annually be charged to the organizations whose experts are involved in the Partnership.
- The Secretariat would be required to submit audited accounts to the Partnership on an annual basis to show funds received and expenditures.

2. Preparations for private sector involvement in the high level Ministerial dialogue in Melbourne, 6th August 2010

a) Development of an agenda

There will be a need for a collaborative agenda determined in consultation with APEC officials who have responsibility for the meeting. There will clearly be components of the agenda that Ministers/Senior Officials will wish to focus on. In the main, these can be expected to be of sharp interest to business and a major objective of the meeting will be the one of a constructive dialogue between Ministers/officials and business.

At the time of preparing this note, we understand that the Australian Treasury envisages two parts to the agenda. The first would mainly focus on the concept of political ownership of PPPs and the reforms that are needed to encourage and PPPs. A second part would be around what APEC can do to promote reforms in the PPP space.

It is worth recalling that the critical foci of recent APEC initiatives and endorsed by APEC Ministers is to pursue measures that would lead to a commonality of approach across the economies of the region, on

- i) the harmonization of the foundations of PPP projects - based on consistent approaches to prequalification, short-listing, detailed project information and selection of preferred bidder
- ii) harmonization of project development – selection of most viable projects as a component of the pre-qualification phase, the short-listing potential bidders, the management of detailed proposals and the evaluation of submissions at each stage of the process, the use and value of external advisors
- iii) harmonisation of the procurement process – the outline of a business case; determination of the needs and project objectives; commitments to stakeholders; market capability and appetite; risk analysis and management; financial analysis and project time-table and resources.

We will advise the Group on any further developments on the agenda at the Advisory Group meeting and the proceedings for the conduct of the Ministerial/business dialogue.

b) Private sector participation

As noted above, we hope to be in a position to provide further advice on the agenda and the proceedings for the Ministerial meeting at the Advisory Group meeting.

The Ministerial meeting should provide an opportunity for the private sector to promote the concept of the APIP. To do that the leader of the private sector group could consider drawing on the following points:

- A public-private sector tripartite partnership for the region is proposed by ABAC
 - Its ultimate objectives are to involve private and public sector experts and IFIs and academics in a partnership to provide unbiased, objective advice to regional governments and agencies on PPPs and help them build institutional capacities to fulfill their roles in promoting PPP in economic and social infrastructure.
 - It would provide valuable links with officials and IFIs and private sector experts and would complement and support Centres of Excellence as these are established in the region.
 - The first phase of building the Partnership requires that the Advisory Group/ABAC, working in cooperation with AASC, would undertake the following actions:
 - i) Ensure active high-level business participation in this meeting (achieved)
 - ii) Provide potential private sector participants, IFIs and academics with a convincing case for joining the Partnership and the basis of membership. (The APIP would be open to interested parties to voluntarily associate). A proposal would set out the objectives and purposes of the APIP and governance arrangements. (a concrete proposal on these matters was discussed at the meeting of the Advisory Group in Taipei on 20th May)
 - iii) Seek the support and endorsement of APEC Ministers and Leaders for the establishment of the Asia Pacific Infrastructure Partnership to promote PPPs in the region as a formal component of APEC PPP Pathfinder Initiative and which would involve interested public sector agencies, expert private sector representatives, IFIs and academics
- Our hope is that APEC endorsement would be forthcoming this year or in 2011
 - Private sector participants at this meeting would value Ministers' responses and responses from others to this proposal

This intervention could be followed by short comments by the World Bank and the ADB representatives and then by a Ministerial response.

Assuming the proposal gains the support of Ministers and senior officials present, appropriate acknowledgement of the proposal and endorsement would be included in the Communique of the Ministerial meeting and included in Joint Ministerial Statements issued at the conclusion of the APEC Leaders' meeting in November.

d. The involvement of Senior business representatives at the Melbourne meeting

Based on experiences in involving ABAC in the Ministerial meeting on Structural Reform (also in Melbourne) in August 2007, intensive preparatory work will be required in developing a meaningful agenda to engage Ministers and others and in encouraging strong private sector involvement. As noted, the chair of the Advisory Group, supported by ASCC, would work with the Australian Treasury in developing the agenda and in agreeing key private sector discussants/participants.

To ensure high-level business participation, ABAC and the Advisory Group should determine those people they would wish to involve in the meeting and who would make a strong contribution to its success. Business representatives with strong experience and understanding of PPP development, management and the financing of PPPs should be primarily involved. Ideally the business group should be representative of the APEC region as a whole. They may or may not have current or past association with ABAC. They should be invited on a personal basis by the Chair of the Meeting, likely to be the Australian Treasurer, on the advice of ABAC/the Advisory Group.

A list of possible senior business representatives who meet this criteria will be available for consideration at the meeting.

It is proposed that Mr. Mark Johnson, Australian ABAC member and Chairman of the APEC Advisory Group be the lead discussant for the private sector group at the meeting.

A Vice President of the World Bank and the ADB or their nominees would likely be invited.

The Advisory Group is asked to consider

- That the proposals in Part 1 of this paper provide a constructive basis for stakeholders to endorse in developing the concept of the Asia Pacific Infrastructure Partnership
- That the proposals in Part 2 provide useful guidance for the engagement of the private sector in the proposed high-level discussion on PPPs in Melbourne in August 2010 and that involvement would be an effective demonstration of the value of the APIP

and

- Endorse the role of the Australian APEC Study Centre as broadly outlined in this paper in supporting the development the APIP : specifically the AASC would work with ABAC and the Advisory Group to :
- help in organizing the participation of senior business representatives from the region to participate in a high-level dialogue in Melbourne
 - liaise with ABAC and the Advisory Group, Australian Treasury and the Victorian Government in developing an agenda for that meeting

Australian APEC Study Centre at RMIT University

4th May 2010