

THE ADVISORY GROUP ON APEC FINANCIAL SYSTEM CAPACITY-BUILDING

A Public-Private Sector Initiative

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Meeting Paper 4-D Public-Private Regional Collaboration to Promote Infrastructure PPP

Office of the Advisory Group Chair

PURPOSE

For consideration.

ISSUE

Note to the Chair of the APEC Senior Finance Officials' Meeting (SFOM) on the Advisory Group's planned activities on infrastructure PPP for 2011 involving ABAC and other Advisory Group partner organizations.

BACKGROUND

APEC Senior Finance Officials are in the process of developing the work program of the APEC Finance Ministers' Process for 2011, under the chairmanship of the US Department of the Treasury. Senior Finance Officials will be undertaking these discussions on the sidelines of the APEC Finance Deputies' Meeting, which will take place in San Francisco on 22 February 2011

With this in mind, a note to the SFOM Chair has been drafted which describes the elements of the Advisory Group's 2011 work program related to infrastructure PPP, with the objective of securing support and active participation of finance ministries in these planned activities.

PROPOSAL

Undertake the following activities to demonstrate the effectiveness of APIP, as outlined in the Advisory Group's 2011 Work Program:

- Asian PPP Dialogue focused on 3 or 4 economies, proposed to be held in Tokyo, Japan sometime in early June
- Latin American PPP Dialogue to be hosted by ABAC in Lima, Peru in late August.
- Forum in Honolulu to discuss outcomes of Dialogues and the way forward infrastructure PPP in each of the key infrastructure sectors relevant for the region, as well as in cross-border infrastructure projects.

DECISION POINT

Endorse the note to the SFOM Chair.

Public-Private Regional Collaboration to Promote Infrastructure PPP

A recent forum¹ convened by ABAC, ADB and JBIC in collaboration with the Ministry of Finance of Japan confirmed that infrastructure PPP is a central issue for the region, given the huge demand for infrastructure investment necessary for continued economic growth, which public sector investment alone cannot meet. The forum yielded the following key messages:

- Despite recent improvements in infrastructure-related policies, key constraints impeding private investment remain – lack of capital market depth, dearth of good quality projects, inadequate regulatory frameworks and concerns about transparency and political, country, exchange and interest rate risk.
- Given the complexity of infrastructure PPPs, overcoming these constraints requires improved understanding and greater trust among relevant parties involved. Structures enabling parties to frankly and objectively discuss and consider complex matters facing each economy can contribute to better understanding of the issues and risks they face.

In 2010, ABAC proposed a model for such a regional structure involving key officials engaged in infrastructure PPP, private sector experts, and MDBs and ECAs. This model, the Asia-Pacific Infrastructure Partnership, which draws from successful experiences in APEC, will utilize ABAC's network of senior private sector experts from a wide range of fields relevant to infrastructure PPP as members of an ABAC private sector advisory panel. Coordination will be undertaken by ABAC through the Advisory Group on APEC Financial System Capacity-Building, the mechanism through which it collaborates with key public, private and academic organizations, including MDBs and ECAs.

In 2011, ABAC proposes to undertake activities, in collaboration with the APEC Finance Ministers' Process (FMP), to demonstrate the effectiveness of this model. These efforts will be coordinated with other complementary FMP initiatives, such as the Pilot PPP Mentoring Scheme. ABAC invites collaboration from APEC finance ministries, MDBs such as the Asian Development Bank, the Inter-American Development Bank and the World Bank, as well as ECAs. The proposed activities are as follows:

- Dialogues focused on selected interested individual developing economies (one economy per session). Preferably, these would be closed-door dialogues among relevant high-level officials, the ABAC advisory panel and experts from MDBs and ECAs. Each session will be tailored to maximize value for participants; session agenda will be determined after consultations with concerned ministries/agencies.² Two dialogues are envisioned: (a) an Asian dialogue focused on 3 or 4 economies, proposed to be held in Tokyo, Japan sometime in early June, and (b) a Latin American dialogue to be hosted by ABAC in Lima, Peru in late August. Outcomes from the dialogues will be reported to SFOM.
- A Forum in Honolulu co-organized by ABAC with interested MDBs and ECAs through the Advisory Group, to discuss the outcomes of the Dialogues and the way forward for public-private collaboration to promote infrastructure PPP in each of the key infrastructure sectors relevant for the region, as well as in cross-border infrastructure projects. It is proposed to be held close to the date of the AFMM in November to enable interested finance ministers, deputies and senior finance officials to participate.

¹ This was the Private Infrastructure Finance Forum convened on 7 November 2010 in Yokohama, Japan by the APEC Business Advisory Council (ABAC), Asian Development Bank (ADB) and Japan Bank for International Cooperation (JBIC), in collaboration with the Ministry of Finance, Japan.

² Examples of issues that may be considered are strategies for PPP infrastructure development, approaches best suited to attract private sector participation in specific sectors or projects, and what kind of environment would be needed to encourage more PPPs, among others.