

THE ADVISORY GROUP ON APEC FINANCIAL SYSTEM CAPACITY-BUILDING

A Public-Private Sector Initiative

Document: AGFSCB 31-021
Draft: FIRST
Source: AGFSCB Chair
Date: 14 April 2011
Meeting: Seoul, Korea

Second Meeting 2011

26 April 2011

14:00 – 16:00

Crystal Ballroom, Lotte Hotel
Seoul, Republic of Korea

Meeting Paper 3-A

Public-Private Regional Collaboration to Promote Infrastructure PPP

Office of the Advisory Group Chair

- PURPOSE** For information.
- ISSUE** Information on planned activities in 2011 to promote the adoption of the Asia-Pacific Infrastructure Partnership as a model for regional cooperation to promote infrastructure PPP
- BACKGROUND** 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 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. In 2011, ABAC proposes to undertake activities, in collaboration with the APEC Finance Ministers' Process (FMP), to demonstrate the effectiveness of this model. In its Guangzhou meeting, the Advisory Group endorsed the activities below as part of its 2011 Work Program.
- PROPOSAL** To hold:
- (1) Closed-door dialogues on selected individual developing economies (one economy per session). Two dialogues are envisioned: (a) an Asian dialogue focused on 4 economies, to be held in Tokyo (date still to be confirmed), and (b) a Latin American dialogue to be hosted by ABAC in Lima, Peru in late August.
 - (2) 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 infrastructure PPP in key infrastructure sectors relevant for the region, as well as in cross-border infrastructure projects.
- DECISION POINT** Note the proposed activities.

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 (date still to be determined), 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.