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Economic Cooperation

THE ADVISORY GROUP ON APEC FINANCIAL SYSTEM CAPACITY-BUILDING

A Public-Private Sector Initiative

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PUBLIC PRIVATE PARTNERSHIPS FOR INFRASTRUCTURE DEVELOPMENT

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**ADVISORY GROUP ON APEC FINANCIAL SYSTEM CAPACITY BUILDING
SECOND MEETING 2008, 14TH MAY, MOSCOW**

ITEM 4

**PUBLIC PRIVATE PARTNERSHIPS FOR INFRASTRUCTURE
DEVELOPMENTS**

Background

At the Jakarta meeting, the Advisory Group took note of:

- the ADBI's flagship study on "Infrastructure and regional cooperation"
- a PECC publication, "Meeting the region's infrastructure needs: Guidelines for Effective Public-Private Partnerships"
- the ADBI's workshops on "Strengthening Private Sector Participation in Physical Infrastructure" and a PPP workshop series co-organised with the ADB involving governments and the private sector in identifying reforms to facilitate infrastructure projects
- a proposal for the establishment of a regional infrastructure dialogue (RID) by Mr. Gary Bowditch of Infrastructure Partnerships, Australia
- the importance of political leadership in establishing PPPs - noted by Ms. Beris Gwynne, independent consultant

To encourage linkages between the work of the Advisory Group and initiatives under way in SFOM, the outcomes of the Advisory Group meeting were referred to the Australian Treasury which is sponsoring this subject in SFOM. The Treasury subsequently advised that an APEC Finance Ministers' activity will be implemented in Ho Chi Minh City, on 19th May, "Building the markets to support PPPs". This will be co-sponsored by Australia, Indonesia and Vietnam. It is understood that the ADB and the ADBI have been invited to contribute papers and to participate in the Ho Chi Minh workshop.

In related developments, the Australian Treasury has advised that it is preparing a discussion paper for the forthcoming SFOM 4 meeting (to be held in Cusco, 11/12th June) on capital market developments and PPPs. The Treasury has consulted Garry Bowditch in preparing that paper. Further work on PPPs will be informed by the SFOM 4 meeting. Ms Gwynne has advised that she will be attending a meeting of UNECE experts (UN Economic Commission for Europe) in Antwerp on 10/11th June to consider the structure and content of a UNECE PPPs toolkit and that she may be participating in a conference in Moscow in October to speak on evaluation and feedback mechanisms on PPPs. To provide her a link with an institutional group in participating in these activities Mr. Waller has proposed that she describes herself as "Contributor to the Advisory Group". There are no funding implications in this.

Issues

PPPs for infrastructure are a priority agenda item for economies and for business; the demand for PPPs is certain to continue to grow strongly. There is considerable activity within and without the region on PPPs concerning importantly, the private sector role in risk taking, financing and managing infrastructure developments. APEC Ministers and officials have been informed of ABAC's continuing strong interest in the subject and in ABAC's willingness to support capacity building initiatives through public-private partnerships. Future APEC policy directions in this subject will be discussed at the Cusco SFOM 4 meeting and ABAC will be involved in that meeting. It is proposed that at that meeting, the coordinator emphasise ABAC's views of:

- the importance of PPPs as an emerging and critical component of the region's financing needs and that this continue to be an important issue on the APEC FMM agenda
- the value of deep consultation with the private sector as economies seek to promote the use of PPPs and community confidence in the process
- the critical relevance of a legal and financial institutional framework and deep capital markets as fundamental prerequisites to the emergence of PPPs
- its preparedness to support APEC capacity building initiatives to strengthen the legal, financial and regulatory infrastructures needed to promote PPPs
- the need to consider a FMM initiative to promote a regional coordinated approach to PPPs involving economies, regional and international agencies and the business community

Recommendations to the Advisory Group:

- take note of developments since the last meeting as described in this report
- propose to ABAC that the Coordinator speak to the points outlined under Issues above at the forthcoming SFOM 4 meeting
- note that the Coordinator will provide a report on the outcomes of SFOM 4 for consideration at the Hangzhou meeting.

Ken Waller
Senior Advisor ABAC Australia Secretariat

5th May 2008