



# THE ADVISORY GROUP ON APEC FINANCIAL SYSTEM CAPACITY-BUILDING

A Public-Private Sector Initiative

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## **Meeting Paper 5-A**

# **INFRASTRUCTURE PUBLIC-PRIVATE PARTNERSHIPS**

ABAC Australia

# ADVISORY GROUP ON APEC FINANCIAL SYSTEM CAPACITY BUILDING

THIRD MEETING 2008, 5<sup>TH</sup> AUGUST, HANGZHOU

ITEM 5

## INFRASTRUCTURE - PUBLIC-PRIVATE PARTNERSHIPS

### Background

Recent discussions in the Advisory Group are documented in the Group's 2008 report and key recommendations call for support by APEC Finance Ministers for the establishment of a Regional Infrastructure Dialogue and for capacity building training initiatives for the region's policy makers and regulators.

This note expands on three related matters:

1. a suggestion by Mark Johnson, ABAC Australia, that the IFIs, and notably, the ADB, be encouraged to provide long-term funds in local currencies in regional developing economies to bridge gaps in infrastructure funding. IFIs have the credit standing to raise long term debt and they also assist in developing local capital markets. They also have the ability to help promote long term swap markets which would help eliminate currency mismatches in the host economy as by definition, almost all infrastructure revenues will be generated in local currencies.

*Comment:* IFIs do have the capacity to act as a catalyst for long-term funding and often seek to encourage private foreign investors into supporting local long-term investment projects in relevant emerging economies. The Advisory Group could consider working with the ADB and the ADBI and other agencies – perhaps in the context of an Regional Infrastructure Dialogue – to consider ways to promote the role of IFIs in regional infrastructure financing.

2. the recent Senior Finance Officials Meeting (SFOM 4) – held in Cusco, 10/11<sup>th</sup> July – was briefed by ABAC on the work of the Advisory Group, including ABAC's recommendations to APEC Finance Ministers (as noted in the first para to this note). The meeting also involved an extensive discussion on developments in infrastructure financing and in particular on public/private partnerships in the context of a debate on one of the two key themes that Ministers will consider at the FMM, “strategies to implement capital market reforms”. Officials from Peru, Australia and Korea, among others, outlined current developments and (significant) ambitions for PPPs in their economies. Extensive comments were also made on this subject at the accompanying bond market forum also held in Cusco.

**Comment:** the issue is highly relevant to Peru's interests in developing capital markets. The Advisory Group should ensure that ABAC's representatives at the FMM dialogue do take the opportunity to present well reasoned views on this subject.

3. the Melbourne APEC Finance Centre has made a proposal to Australia's aid agency, Ausaid, for funding for a program to train APEC regional policy makers in the complex issues relating to funding and managing public private partnership infrastructure projects. If approved, this training initiative will be developed in conjunction with Australian and regional public and private sector experts, including in PECC, and UNCTAD

**Comment:** it is intended that this training initiative would be a timely and a serious contribution to helping developing knowledge and expertise in the region.

***Recommendations:***

- ***The Advisory Group take note and appropriate action on the advice in this note.***