



# DEVELOPING A ROADMAP FOR LONG-TERM INVESTMENT IN QUALITY INFRASTRUCTURE: SUPPORTING VIETNAM APEC PRESIDENCY

Hanoi, 19-20 December 2016



# APEC Cebu Action Plan (Sept. 2015)

## Pillar IV: *Accelerating Infrastructure Development and Financing*

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- In 2013, the APEC Finance Ministers adopted the Multi-Year Plan on Infrastructure Development and Investment, to help address the enormous infrastructure needs facing the region.
- Pillar IV of the Cebu action plan aims to build upon this work, especially the efforts undertaken to support quality infrastructure development and financing by:
  - A. Attracting private sector capital through **PPPs** to deliver crucial infrastructure;
  - B. Mobilizing long-term financing for infrastructure, particularly through **enhancing member-economies' capacity for project preparation**;
  - C. Demonstrating the importance of and **activating long-term vehicles to support long-term investment**; and
  - D. Promoting **inclusive infrastructure in urban development and for regional connectivity**.



## APEC Cebu Action Plan – Pillar IV & III

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- Items under Pillar IV also dovetail with **Pillar III regarding disaster risk financing and resiliency**
- Taken all together, **infrastructure investment** in this framework can:
  - Address social issues such as building a more inclusive society by creating job and transferring knowledge
  - Contribute to poverty reduction and alleviation
  - Increase access to markets and services (e.g. healthcare and education)
  - Promote a gradual decarbonisation of the economy and avoid “locking” in higher-carbon pathways
  - Build more liveable cities and benefit from regional synergies



# The four components of Pillar IV and how to move forward

## A) Attracting private sector capital through PPPs to deliver crucial infrastructure

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- Identification and compilation of standard PPP terms and practices and the development of templates for PPP contracts, taking stock of G20 IIWG/World Bank/OECD identical deliverables:
  - Including follow up to the G20/OECD Guidance Note : Effective approaches on Diversifying instruments and optimizing risk allocation (this survey could also cover APEC countries to the extent possible)
- Encourage APEC economies to collaborate with international organisations such as the OECD, World Bank and ADB in conducting APEC economy specific reviews of policy frameworks for infrastructure provision and analysis and sharing of best practices
- APEC economies to consider commissioning the OECD to conduct a study of risk mitigation instruments available in the APEC region and develop a set of policy recommendations to improve their availability based on the guidance note



## B) Mobilizing long-term financing for infrastructure

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- Interested APEC economies to perform and report on self-assessment against the G20/OECD Checklist on Long-term Investment Strategies and Institutional Investors
  - The Checklist provides a guidepost for the implementation of the G20/OECD High-level Principles on Long-term Investment Financing by Institutional Investors
- APEC economies to acknowledge the G20/OECD Guidance Note on Diversifying Sources of Finance for Infrastructure and SMEs and participate in the development of effective approaches



## C) Demonstrating the importance of and activating long-term vehicles to support long-term investment

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- Different forms of PPPs can be useful instruments for projects where revenues are not certain or adequately provided through user fees
  - Some asset types such as airports, seaports, or renewable energy assets may be economically viable on a stand-alone basis
  - Other models such as direct or indirect ownership through corporate structures or fund structures can be used
    - Renewable energy finance, in this way, has been supported by long-term power purchase agreements
- Infrastructure finance could benefit from the use of flexible financing instruments
  - Equity funds, investment platforms, listed equity trusts, could invest directly, or through SPVs and PPPs
  - The fund and investment platform model can also combine co-investment with commercial banks, insurance companies, and corporates, leveraging in-house expertise and skillsets while also mobilising a larger amount of capital



## D) Promoting inclusive infrastructure in urban development and for regional connectivity

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- OECD is active in G20 Global Connectivity Alliance, and is contributing to the agenda by:
  - Identifying best practices from OECD that can inform better initiatives on connectivity (urban, regional and global scales)
  - Enhancing policy coordination through integrated connectivity strategies that bring together trade, investment, finance and governance
  - Promoting ‘quality investments’ in infrastructure for more inclusive and sustainable growth
  - Undertaking Investment Policy Reviews that include diagnostics on infrastructure



## Next steps –

# A possible agenda for the APEC meeting in May

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- **Focus on Risk allocation** – building on work of other IOs, the results of the G20/OECD (APEC?) survey on the G20/OECD guidance note to identify traditional and emerging practices in diversifying instruments and optimising risk allocation and possible updated PPP template with speakers from APEC economies and experts
- **Developing domestic markets for infrastructure** : local currency bond market, pension and insurance sectors (possibly integrating demand-side aspects and the development of long-term saving and investment through financial literacy)
- **Factoring in ESG considerations** in infrastructure investment also building on the outcome of the OECD survey and report on financing the transition to low carbon economy
- **Progress on regional connectivity and urban developments in the region**
- Development of this agenda **in partnership** with ADBI, but also in collaboration with GIH, WBG and ABAC, leveraging our Network of Long Term investors