

# Public Policy Initiatives for Engaging the Private Sector

Seminar on Financing Quality Infrastructure for Long-Term Investment and Mobilising Private Sector Capital, 19-20 December 2016, Pan Pacific Hotel, Hanoi, Viet Nam

Ken Waller, Director, the Australian APEC Study Centre

# APIP: Asia Pacific Infrastructure Partnership

- The APIP was established by the APEC Business Advisory Council (ABAC) in 2011 and reports its activities to ABAC's Advisory Group on Financial System Capacity Building at each ABAC meeting every year.
- The APIP is chaired by Mark Johnson AO, and membership to the APIP is open to infrastructure industry experts from across the Asia-Pacific region.
- The Australian APEC Study Centre (AASC) coordinates Dialogues for the APIP.
- The APIP is an effective platform for high-level discussions between infrastructure industry experts and regional policymakers to support the infrastructure development agenda and initiatives of Asia-Pacific economies, with a focus on PPPs.

# APIP: Asia Pacific Infrastructure Partnership

- Dialogues between APIP panel experts and regional policymakers also help to share knowledge and expertise on PPP policy development and implementation.
- Dialogues support the infrastructure-related objectives of the Cebu Action Plan to promote more regional collaboration in infrastructure development.
- To date, 14 APIP Dialogues have been held in:
  - Thailand
  - Vietnam
  - Philippines
  - Malaysia
  - Mexico
  - Chile
  - Indonesia

## APIP: Dialogue Findings

These dialogues have highlighted several key issues. Among these are:

- lack of capacity to prepare bankable projects that can provide a robust pipeline, as well as capacity for policy reforms and planning;
- the need to better understand risks, which parties are best able to take on which risks in which sectors, and how best to allocate these risks among public, private, multilaterals and other relevant institutions;
- the need to have a transparent and efficient legal and regulatory environment that can reduce risks to the minimum possible;
- need for mechanisms to mitigate risks that the private sector cannot cover;
- lack of long-term local currency finance;
- need for more coordinated and coherent public sector approach to PPPs; and
- importance of having credible and creditworthy public counter parties

## APIP: Recent Initiatives

- A research paper ‘Success Factors in the Philippines PPP Program’ <http://mams.rmit.edu.au/ci3eajl92q6zz.pdf> was commissioned to better understand the institutional governance and operational frameworks that made the PPP Centre in the Philippines relatively successful, and to draw lessons from those experiences in on-going dialogues with economies.
- The APIP has been working more closely with the MDBs and the G20 Global Infrastructure Hub in pursuit of the Cebu Action Plan’s objectives on infrastructure investment and deepen relationships with other APEC initiatives on infrastructure financing.
- The APIP recognises the substantial value of project preparation in the creation of bankable projects and works with the International Infrastructure Support System (IISS) and the Global Infrastructure Hub to support their project preparation platforms
- APIP Outreach meeting in Sydney in September launched a review of APIP mechanisms to more effectively address the Infrastructure Financing concerns of the private sector.

# APIP: Engaging the Private Sector

- A key factor in continuing the APIP is to bridge the gap between the private and public sectors and the asymmetry of information between private sector specialists and bureaucrats in regional agencies.
- The importance of APIP better understanding localized factors, such as local currency availability, limits to the application of best practices and specifications impacting on the capacity of regional governments were noted as matters requiring sensitive attention by APIP.
- Focus going forward: APIP being an advocate of PPPs.
- Further meeting in Sydney in early 2017 to confirm APIP structure going forward with a view to presenting these findings at ABAC 1.

# UIN: Urban Infrastructure Network

- The UIN is an initiative of the Australian Government and ABAC
- The UIN comprises policy officials from regional economies as well as global and regional experts in urban development challenges. The UIN formation emanated from a Forum on urban infrastructure development held in September 2014 and sponsored by the Australian Government.
- The UIN was tasked with developing a reliable best practice policy framework with practical action plans for state, provincial and municipal level of governments in APEC economies, as well as more broadly across the Asia Pacific region.
- Three platforms of recommendations
  - Promoting integrated urban planning
  - Effective project and program development systems
  - Improving urban financing systems

# UIN: Urban Financing Recommendations

- intergovernmental fiscal transfers should correspond to infrastructure funding needs of each level of government
- State/ provincial and local governments should fully utilize their revenue base (ie. collect all taxes due) and to develop financing policies that will leverage this base by tapping community and private sector resources and the resources of development banks to allow investors to earn reasonable returns;
- Encourage the development of the skills base of local governments necessary to administer procurement processes that will lead to good quality bids offering value for money
- APEC governments should work with MDBs and international investors to facilitate direct engagement with local governments – and this could include a government policy framework for sovereign guarantees that provide clear and consistent guidelines relating to urban infrastructure investment that would be supported by the state



# UIN: Urban Financing Recommendations

- Policy should encourage the flow of long term finance to infrastructure – specifically from pension, insurance and sovereign wealth funds by removing constraints to their activity through the development of project bond markets and loan pooling mechanisms for weaker local governments, by encouraging debt and equity funds focused on infrastructure investment, and by removing constraints to international capital flows (private and MDB) for urban infrastructure investment.
- Building the required structures for urban financing – specifically the establishment of national challenge funds and funding instruments designed to leverage effective government investment at state/ provincial and city levels, and private investments through the use of grants, loans, equity participation and guarantees that are appropriately ‘nested’ with structures below.

## UIN: Urban Financing Recommendations

- Metropolitan and sector structures should share revenue and expenses across jurisdictions corresponding to infrastructure funding needs and mandates especially for land acquisition and resettlement cost determination and disbursement.
- The establishment of city funds and funding instruments designed to leverage private investment through the use of government grants, loans, equity participation and guarantees.

[https://www.rmit.edu.au/content/dam/rmit/documents/college-of-business/industry/apec/UIN\\_Best\\_Practice\\_Policy\\_Framework\\_and\\_Action\\_Plans.pdf](https://www.rmit.edu.au/content/dam/rmit/documents/college-of-business/industry/apec/UIN_Best_Practice_Policy_Framework_and_Action_Plans.pdf)