

# Asia Pacific Infrastructure Partnership (APIP)



**BRIEFING TO APEC STAKEHOLDERS**

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# Strategic Approach



- ▶ **APIP should seek to:**
  - ▶ strengthen the infrastructure policy dialogue,
  - ▶ buttress government's intentions that seek to invest and build – create a project pipeline
  - ▶ facilitate the process of crystallising infrastructure objectives,
  - ▶ enhance implementation capability, and
  - ▶ stimulate substantial innovation and participation of capital markets.
- ▶ **The role of ADB is an essential element in the plan**
  - ▶ But ADB's agenda is complex, frenetic and congested – what does this mean for APIP?

# Governance Arrangements



- **APIP - an independent not for profit entity**
  - free of national and commercial interests
  - operate as a genuine champion with a focussed agenda, clear and specific recommendations for better, more efficient and timely infrastructure planning and provision
  - enhance and be complementary towards existing initiatives & fora
  - clearing house of ideas and best practice knowledge operating in an open architecture environment
  - arms length relationship with ADB will allow it to contribute and guide the activities of the APIP, without the constraints of being necessarily bound to its conclusions and recommendations

# How APIP will work



- **Focus on PPPs, and private infrastructure financing for regional development.**
- **APIP will enable governments to identify issues very early in the project conception phase.**
  - **Delivered through Panel of Experts: technical advice to governments concerning how best to approach infrastructure planning and procurement to maximise effectiveness and value for money**
  - **Help ensure quality interactions with private sector**
- **The intention is to create a forward pipeline of major infrastructure projects to tap new long term funding sources.**

# Scope of Activities



## Project Identification & Selection

- Find champions and help them
- Early feedback on projects & financing
- Test ideas, encourage innovation
- Develop pipeline of projects for next 10 years
- Create investment grade opportunities
- Focus on credit enhancement of projects

## Capital Market Development

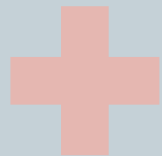
- Attract new long term investors for regional infrastructure
- Expand long term saving pools & infrastructure appetite
- Develop new product to support infrastructure financing

## Enhance Investment Climate

- Disseminate best practice on PPPs
- Enhance public sector experience & knowledge to develop and procure infrastructure
- Demystify the role of the private sector in infrastructure provision

# APIP's Building Blocks

Regional  
Commitment  
to Long Term  
Pipeline of  
Major  
Projects



Enhanced  
Capital  
Market  
Development



Superior  
Investment  
Climate for  
Private  
Infrastructure  
Financing

# APIP's Desired Outcomes



## Bankable Projects

- Establish long term integrated planning for infrastructure within government across Asia Pacific.
- Complete regional pipeline of medium term high quality bankable projects.
- Synthesise project opportunities across region to maximise multilateral investment benefits .

## More Private Capital

- Attract long term investors to the infrastructure sector.
- Address long standing asset-liability mismatch in regional capital markets with high quality medium term pipeline of infrastructure projects.
- Expand long term savings pools especially pension, life and superannuation institutions.

## Better Investment Climate

- Disseminate region-wide best practice for PPPs and private sector participation in infrastructure.
- Open architecture & knowledge sharing.
- Greater regional cooperation to support long term investment & risk management.

# Corporate Support



- A 'light' membership agreement with member obligations limited to annual membership fees and general commitment to participate in APIP activities
- Initial seed capital to establish APIP will be necessary, and private sector will be an important potential source
- Steering Committee (Board of Directors) composed of financial sponsors & institutional stakeholders will determine final governance structure, work plan and resource allocation
- A small Secretariat will implement the first stages of the AIP agenda

# APIP Pilot Program



- **Objective**: to demonstrate the methodology & style of the APIP processes, and expected outcomes
- **Scope**: maximum of three countries to participate in strategic identification of major infrastructure projects that could be suitable for PPP procurement
  - Panel of experts will work with national governments to identify, scope and bundle projects for PPPs
- **Measures of Success**
  1. To substantially augment existing infrastructure allocations with private finance for high quality bankable projects
  2. Substantial knowledge transfer to improve effectiveness of public & private interactions with major project procurement

# Brutal Facts we must confront



- 1. Widespread public disquiet about private provision of infrastructure**
  - We need a debate, to engage the community
  - Find and nurture PPP champions
- 2. The public struggles to understand why private companies should make a profit from public infrastructure**
  - Profits pay taxes + motivator to innovate + superannuation savings
  - Reasonable profits
- 3. Public concern about integrity of large scale interactions between public & private sectors**
  - Scrutiny by anti corruption bodies is fundamental
  - Need for capability building in government to ensure commercial skills exists
  - Transparency & accountability must be championed

# Strong Foundations



- **Honest with ourselves in finding workable solutions concerning:**
  - Why do governments see long term infrastructure provision as ‘optional’?
  - Why is the private sector ‘missing in action’ with infrastructure investment?
  - PPPs touches ‘raw’ sensitivities concerning a governments’ sovereign rights.
    - ✦ Governments do have the right to change their mind...if so, then what?

# A high hurdle for Government



- **APIP will help Governments be market ready.**
  1. Clearly articulate the 'required outcomes' of infrastructure procurement & operation
    - ✦ These objectives must be:
      - Strategic, high level
      - Enduring for decades ahead
      - Relevant & anticipate customer needs
  2. Specify sanctions for not achieving outcomes and failure to honour contracts
- **The absence of these two critical factors will make private provision of infrastructure very difficult**

# Higher hurdles for proponents



- **Onus is on private sector to demonstrate it can build and operate infrastructure better**
  - Faster delivery
  - Innovative design and ongoing management
  - Better service, smarter ways of doing it
  - It is not just about saving the government money – third order issue
- **Willingness to learn & improve**
  - Admit mistakes
  - Prepared to acknowledge and front the community and share the political risk both upside and downside
  - Profit is a great motivator, but also innovation must be demonstrable and result in better service delivery
  - Celebrate and communicate the successes

# A final thought



Oliver Cromwell is reported to have told Sir Peter Lely, the artist commissioned to paint his portrait

“Paint me as I am. If you leave out the scars and wrinkles, I will not pay you a shilling”

Thank you