

Meeting APEC's infrastructure challenge: breaking the PPP logjam



Executive summary

The Asia-Pacific region has considerable unmet infrastructure needs. To fill this growing infrastructure gap, it has been estimated by the Asian Development Bank that the region must spend a further \$US8 trillion over the next 10 years on critical energy, transport, communications and other physical and social infrastructure.

Both emerging and advanced economies share this challenge. Fast growing emerging economies need to expand both physical and social infrastructure if growth is to be sustained. Advanced economies need to lift investment rates to sustain and boost growth. In particular, they need to update their aging infrastructure stock and invest in new energy, transport and information technology projects.

To help meet this infrastructure challenge, the APEC infrastructure pathfinder initiative was launched by APEC Finance Ministers at their 2009 meeting in Singapore, aimed at developing a harmonised road map for private sector infrastructure provision.

The initiative, which was delivered in 2010, highlighted that development of public private partnership (PPP) infrastructure markets was an evolutionary process and that economies should not be too ambitious in the early phases. A key step to building market credibility was to deliver one or two key projects.

In the face of strong interest from participating economies in risk transfer issues, discussions among officials and experts also highlighted that guarantees and support from multilateral development banks could be important in the early stages of PPP market development. However, the initiative also developed greater recognition that economies need to maintain a focus on

increasing risk transfer as market development occurs. A mature PPP market will see greater value captured by the public sector from a wider range of projects and a growing stock of efficient and well maintained infrastructure that will support growth.

Discussions among officials and experts also highlighted the implementation challenge in actually developing PPP projects, despite all the conferences, courses and capacity building in the region. The scale of this implementation challenge is illustrated by the fact that despite the massive infrastructure needs in emerging APEC economies, only a handful of true PPP projects have been brought to completion in recent years. Factors exacerbating this challenge include: the lack of 'hands-on' experience within many emerging economies at negotiating and delivering PPP projects; and the understandable concern about where Ministers, and others with 'sign off' responsibility on major PPP projects, can go to get impartial advice on complex PPP issues.

To help address this implementation challenge, APEC Finance Ministers' are urged to agree to a Pilot PPP Mentoring Scheme in 2011. This scheme will be a joint initiative of Australia, Singapore and the World Bank. It will involve working with a group of targeted emerging APEC economies to identify and successfully implement prospective PPP projects.

The scheme will seek to provide hands-on technical assistance and advice from Australian experts to remove the impediments to project implementation and to develop strategies for the effective and timely delivery of these projects. The scheme could be evaluated in 2011 at the Honolulu Finance Ministers' Meeting and further decisions on its future taken.

