



**Asia-Pacific  
Economic Cooperation**

# **Project Summary Report**

**CTI 11/2014 – APEC PUBLIC - PRIVATE DIALOGUE ON  
IDENTIFYING AND ADDRESSING IMPEDIMENTS TO IMPROVE  
A BUSINESS-FRIENDLY INFRASTRUCTURE INVESTMENT IN  
THE APEC REGION**

**Ha Noi, Viet Nam  
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**Investment Expert Group**

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APEC REGION**

**Ha Noi, Viet Nam**

**January 15<sup>th</sup> – 16<sup>th</sup>, 2015**

**Summary Report**

Purpose: Information

Submitted by: Viet Nam

*APEC Public-Private Dialogue on Identifying and Addressing Impediments to Improve a Business-Friendly Infrastructure Investment in the APEC Region*

**Ha Noi, Viet Nam**

**January 15<sup>th</sup> – 16<sup>th</sup>, 2015**

**Summary Report**

**I. Introduction**

On January 15<sup>th</sup> and 16<sup>th</sup>, 2015, the *APEC Public-Private Dialogue on Identifying and Addressing Impediments to Improve a Business-Friendly Infrastructure Investment in the APEC Region*, initiated by Viet Nam and co-sponsored by Indonesia, Peru and Russia, was held in Ha Noi, Viet Nam. Speakers and participants came from twelve APEC member economies (Australia, Canada, Chile, Indonesia, Japan, Malaysia, Mexico, Peru, the Philippines, Russia, Thailand, and Viet Nam), the Organisation for Economic Co-operation and Development (OECD), and the Asian Development Bank. Most of the Dialogue participants were from the public sector, academic institutions or the private sector relating to infrastructure investment and development.

The Dialogue sought to create a suitable platform for the representatives from public and private sector to discuss and to identify unnecessary impediments with regard to the Infrastructure Investment in the APEC Region. It aimed also at working out suitable policy measures for APEC developed and developing economies oriented to improve their policy planning in this sector. Last but not least, the Dialogue was expected to build a set of necessary recommendations for APEC in enhancing its working-plan to achieve work streams of the approved APEC Multi-year Plan on Infrastructure Development and Investment etc.

**II. Background**

In 2013, under Physical Connectivity, APEC Leaders reaffirmed their commitment to cooperate in developing, maintaining and renewing our physical infrastructure through a Multi-year Plan on Infrastructure Development and Investment. The Plan will assist APEC Economies to improve the investment climate, promote public-private partnerships, and enhance government capacity and coordination in preparing, planning, prioritizing, structuring and executing infrastructure projects. Under the umbrella of this Multi-Year Plan, APEC Leaders instructed Ministers and Officials to develop additional capacity building activities that will assist economies to promote sustainable and resilient infrastructure development and investment, and look forward to monitoring its implementation. This project is supportive of the work-stream 1 to foster a business friendly environment for infrastructure development and investment, through a solid regulatory framework in the APEC region.

Therefore, this project is designed to implement APEC Leaders' instructions in 2013 by providing opportunities for discussions, sharing experiences and best practices among APEC member economies as well as between policy makers and private sector representatives to identify unnecessary impediments with regard to the Infrastructure

Investment to build better legal framework and business environment in the APEC region. In addition, this project also contributes to the implementation of APEC Finance Ministers' instructions in the efforts to enhance private sector participation in infrastructure projects in order to meet infrastructure needs in the region by providing a set of recommendations for future policy actions by both national and regional level.

Themes covered during the two-day event included: (i) *Overview on Infrastructure Investment in the APEC region*, (ii) *Governments' Strategies and Policies to Improve a Business-Friendly Infrastructure Investment in APEC Member Economies*, (iii) *Perspectives from International Organizations on Identifying and Addressing Impediments to Improve a Business-Friendly Infrastructure Investment*, (iv) *Perspectives from the Private Sector on Identifying and Addressing Impediments to Improve a Business-Friendly Infrastructure Investment*, and (v) *Case Studies of Improving a Business-Friendly Infrastructure Investment in APEC Member Economies*.

### **III. Discussion**

#### **Outcomes**

The *APEC Public-Private Dialogue on Identifying and Addressing Impediments to Improve a Business-Friendly Infrastructure Investment in the APEC Region* included two days for presentations and discussions on the state-of-play and difficulties in infrastructure investment world-wide and across the APEC region, and recommendations towards a more effective infrastructure investment. The last session (recommendations for future activities) provided an opportunity to share what participants can take away from the Dialogue as well as to suggest potential APEC activities related to infrastructure investment in the APEC region and enhancing capacity-building activities to most benefit APEC member economies. Overall, the Dialogue achieved its main objectives as described in the project proposal. Moreover, all participants considered that it afforded many chances for valuable networking among representatives from the policy community, academics and private-sector actors from within and outside the APEC region.

#### **Key Issues Discussed**

##### *Opening remarks*

In his opening remarks, **Mr Luong Hoang Thai (Senior Official of Viet Nam to APEC and Director General, Multilateral Trade Policy Department, Ministry of Industry and Trade, Viet Nam)**, stressed the importance of the Dialogue in the context that APEC Leaders and Ministers highlighted the needs of implementing mid- and long-term capacity building activities to address challenges in the process of infrastructure investment and development. Mr Luong Hoang Thai stated that pursuing a modern, synchronized, convenient and practical infrastructure investment to serve the people's lives and contribute to the prosperity of the region is a critical factor to the development of each nation. Furthermore, infrastructure also means vital for economic development, trade, GDP growth and foreign direct investment attraction. In actual fact, economies suffering from a weak, backward and asynchronous infrastructure face difficulties in attracting foreign investment and in securing economic and social development.

Infrastructure, in both hard and soft types, is considered to form the backbone of the economy, creating competitive advantages, advancing the economy in a fast, strong and sustainable manner, connecting economies more comprehensively to build a seamless region on every level.

The Senior Official expressed hope that given the importance and meaning of developing and investing in infrastructure as described above, and in order to build a fully connected Asia - Pacific, the private sector, corporations and businesses could play an active role, in partnership with the public sector to develop infrastructure. Last but not least, he encouraged the Dialogue participants to pay close attention to the speakers' presentations and to engage in active discussions, so as to facilitate a fruitful exchange of information on opportunities and challenges in infrastructure investment, leading to practical recommendations for tackling such challenges.

#### *Dialogue's sessions*

Experts provided presentations on the following topics:

1/ During Session 1 on “*Overview on Infrastructure Investment in the APEC region*”, **Dr Victor Pontines (Research Fellow, Asian Development Bank Institute)** gave a comprehensive presentation. He outlined his presentations into six parts: (i) Infrastructure investment and growth, (ii) Stylized trends on infrastructure, (iii) Infrastructure investment needs, (iv) Project finance market and PPPs, (v) Pension funds and sovereign wealth funds (SWFs), and (vi) Conclusions. Dr Pontines highlighted that public – private partnership (PPP) has grown steadily in developing economies in APEC. After introducing pension fund assets in selected economies of APEC, he reiterated that there are large pension funds infrastructure investments. Dr Pontines concluded that: (i) Infrastructure matters to growth and its impacts is easy to underestimate, (ii) APEC economies have made major progress in infrastructure development, however, progress is quite uneven, (iii) needs for better and consistent data on infrastructure spending, including spending by sector and at different levels of government, (iv) levels of success in promoting private finance in APEC has varied, and (v) needs to better understand the extent to which institutional investors can support the infrastructure sector in APEC.

2/ During Session 2 on “*Governments' Strategies and Policies to Improve a Business-Friendly Infrastructure Investment in APEC Member Economies*”, there were three speakers: **Ms Cristina Holuigue Miranda, Economic and Financial Advisor, Ministry of Public Works of Chile, Professor Andrew Terry, Chair of Discipline of Business Law, Professor of Business Regulation, University of Sydney, Australia** and **Ms Nguyen Thi Thu Ha (on behalf of Mr Tran Viet Dzung, Deputy Head, Public Procurement Institute, Viet Nam).**

- **Ms Cristina Holuigue Miranda** first explained the rationale behind the needs of improving a business-friendly infrastructure investment. Those are: (i) Government is not able to get enough financial and human resources to develop large infrastructure projects, (ii) Government is not efficient enough to ensure adequate maintenance and quality of service in infrastructure projects, (iii)

Private investors can improve efficiency in construction and operation costs, and (iv) Foreign investors can bring new resources to the economies, and local companies can have access to new technologies and best practices in infrastructure projects. According to Ms Miranda, infrastructure is one of main areas of foreign investment in Chile. She noted that regarding foreign investment in PPP, there are concessions of infrastructure. In her summing up, Ms Miranda observed that a main asset is a reliable economy for investors. Those are: politic stability, economic and financial stability, growing economy, consolidated financial industry and openness to foreign investment.

- **Professor Andrew Terry** started his presentation by reaffirming the fundamental role of quality infrastructure to economic grow internationally. Professor Terry presented Australia’s challenges in securing future infrastructure investment, such as infrastructure deficiencies or a considerable spending task. Furthermore, he briefed on Australia’s National Infrastructure Plan of June 2013 with seven bold reforms (establish a single National Infrastructure Fund, use Government budgets innovatively, recycle capital for new infrastructure, user pays – user says, reduce layers of government, be world leaders in project governance, smarter leaner infrastructure procurement). With regard to PPPs, he commented that: (i) PPPs involve significant risk transfer from public to private sector, (ii) high profile failures have damaged credibility for investors, (iii) PPPs is a crucial infrastructure funding instrument, (iv) need to develop more efficient processes to encourage the adoption of best practice. Professor Terry concluded by introducing superannuation funds and G20 infrastructure hub.
- The presentation of **Mr Tran Viet Dzung** was titled “Stimulating PPP Program in Viet Nam”. According to Mr Tran, objectives of PPP implementation are: support the objectives of socio-economic development, improve competitiveness for Viet Nam and enhance efficiency of public investment. He highlighted the challenges on PPP implementation. Those are: complex legal framework, inconsistent approach to project development and needs for capacity building. To overcome such big challenges, Viet Nam has made efforts in institutional reform, PPP project cycle, flexibility in contract structures, availability of Viability Gap Fund etc. In addition, Mr Tran reiterated that Viet Nam has also dealt with private sector issues, including foreign currency conversion, applicable law and dispute settlement, step-in right and transition clause. Last but not least, there are also financial support strategies in order to overcome PPP challenges.

3/ During Session 3 on “Perspectives from International Organizations in Identifying and Addressing Impediments to Improve a Business-Friendly Infrastructure Investment”, there were two speakers: **Dr Peter Morgan, Senior Consultant, ADB and Mr Christopher Kaminker, Economist, Climate Finance and Investment, OECD.**

- **Dr. Peter Morgan** divided his presentation into four parts: (i) Sources of infrastructure finance, (ii) Obstacles to infrastructure finance, (iii) Approaches to increasing ‘bankability’ and (iv) Conclusions. Dr Morgan provided participants with in-depth information on obstacles to infrastructure, regarding public finance

(Government's budget constraints; limited budgets from multilateral development banks, international aid agencies) and private finance (general cross-border, bank – traditional sources, capital markets etc). In terms of approaches to improving 'bankability', in the view of Dr Morgan, there are six approaches: PPP, credit enhancements, fiscal incentives, life-cycle project planning and securitization, role of regional infrastructure funds and role of multilateral development banks. After comprehensively analyzing each approach, Dr Morgan concluded that: The key to attracting private fund to finance infrastructure banks is making them sufficiently attractive or 'bankable'; PPP projects are a promising model for private capital but are very complex in practice and require high-quality implementation; Various forms of government subsidies may also be needed; Options such as securitization for rolling over investments over the life of the project can increase attractiveness and align better with investor risk/return preferences; Regional infrastructure funds and multilateral banks can provide important bridging roles.

- **Mr Christopher Kaminker** made a presentation on "The Role of Institutional Investors in Financing APEC's Green Infrastructure and Lessons from OECD Work on Infrastructure Investment". First, Mr Kaminker gave an overview on investment in renewable. He then stressed the barriers to institutional investment in green infrastructure. Those are: Weak and uncertain environmental, energy and climate policies; Regulatory policies with unintended consequences; Lack of suitable financial instruments and funds; Lack of information and data to assess transactions and underlying risks. Last but not least, he made policy recommendations for addressing barriers and mobilizing institutional investment in green infrastructure: (i) Establish pre-conditions for institutional investment, (ii) Ensure a stable and integrated "investment grade" policy environment, (iii) Address market failure, (iv) Provide a national infrastructure roadmap and pipeline, (v) Facilitate the development of liquid financing instruments and risk mitigants, (vi) Promote market transparency, standardization and improve data on infrastructure investment, (vii) Reduce the transaction costs of green investment, and (viii) Establish a "green investment bank" or refocus existing public finance institutions.

4/ During Session 4 on "Perspectives from the Private Sector in Identifying and Addressing Impediments to Improve a Business-Friendly Infrastructure Investment", there were two speakers: **Mr Wilf Wakely, Chairman, Canadian Chamber of Commerce in Japan, PPP/PFI Counsel, Wakely Foreign Law Office, Tokyo, Japan (in Association with TMI Associates) and Professor Pham Hong Giang, Vice President, Viet Nam Federation of Civil Engineering Associations.**

- **Mr Wilf Wakely's** presentation was titled "Public Private Partnerships for Developing Economies: a Foreign Investor's Point of View". First, Mr Wakely introduced about PPP and balance of interests of three parties (the public authority, the investors, and the EPCs of engineering, procurement and construction). To deal with foreign proponent concerns in developing economies

to hedge perceived and real risks, part of the solution is economy's risk insurance/guarantees. Mr Wakely concluded his presentation by highlighting fundamental promotion tools, with focus on typical team membership (developers/ creators, financiers, operations specialists, legal planners, other specialists and consultants).

- The presentation of **Professor Pham Hong Giang** was named “PPP in Viet Nam – Current Status and Prospect”. Professor Pham started his presentation by providing participants on the definition of PPP, PPP models, the application of PPP in Viet Nam, PPP projects in Viet Nam etc. He noted that some PPP projects in Viet Nam have faced difficulties in resettlement, finance etc. Professor Pham then commented that foreign investors are interested in PPP and there are some basic legislative documents regarding PPP. According to Professor Pham, shortcomings remain in PPP models in Viet Nam. For example: There is not full knowledge on PPP as share of risk, interest and decision between public and private, which led to the situation that private sectors seek for leaving the project when risks occur. In addition, the legislative system seems to be unclear, uncertain and inappropriate. He suggested to amend the PPP legislative documents and to upgrade the quality of public and private partners in PPP projects.

5/ During Session 5 on “Case Studies of Improving a Business-Friendly Infrastructure Investment in APEC Member Economies”, there were 3 speakers: **Ms Cristina Holuigue Miranda, Mr Kei Owada (Researcher, Mitsubishi Research Institute, Japan) and Mr Kiattikun Thiamprasert (the State Enterprise Policy Office, Thailand).**

- **Ms Cristina Holuigue Miranda** approached the issue from perspective of the public sector, in a presentation named “Concessions Model in Chile”. Ms Miranda briefed on the history of the Chilean Concessions Program, its policy, legal framework and organizational framework. In the view of Ms Miranda, key features of the Concessions Program are: Stable, clear and transparent rule; Implement an appropriate distribution of risks in order to minimize the total cost of infrastructure and services; Project portfolio include public and private initiatives, selected and prioritized according to a multi-criteria analysis; Projects are carried out under a responsible fiscal budget framework. After introducing the achievements of the Program, Ms Miranda pointed out challenges in terms of social development, portfolio diversification, pipeline etc. In summing up, Ms Miranda emphasized the needs to strengthen institutions, ensure proper risk allocation in contracts, reinforce the legal and financial security of the projects, carefully select and prioritize the project portfolio, transparency on processes and every contract document, introduce collegiate recommendations into key points of the process, change the paradigm from public works construction towards the provision of infrastructure services.
- **Mr Kei Owada** made an in-depth presentation on “ Case studies of Improving a Business-Friendly Infrastructure Investment in Transportation Sector.” His

presentation was divided into five parts: (i) Investment for transportation sector, (ii) Case studies of PPP transportation projects, (iii) Impediments for PPP in transportation sector, (iv) Recommendations, and (v) Era of “maintenance”. Firstly, Mr Owada highlighted huge investment needs in transportation sector, gap between demand and supply, PPP for transportation sector, and forms of PPP. Furthermore, he gave a number of interesting examples of privatization in Japan Railway and Japan Highway Public Corporation (Japan), open access in UK Railway (UK) and Melbourne Metro (Australia), BTL in Seoul Metro Line 9 (Korea), Manila Metro 3 (the Philippines), Ontario Highway 407 (Canada), Cross City Tunnel (Australia) etc. Mr Owada pointed out five major impediments to transportation projects by PPP: political intervention and disinterest, inflexibility of fare box, failure of demand forecast, labour Union, contract. Mr Owada finally raised a number of recommendations, such as moderate involvement by public sector, utilization of supplier’s support, infrastructure fund, data accumulation and international collaboration.

- The presentation of **Mr Kiattikun Thiamprasert** was titled “Infrastructure Investment”. After introducing the State Enterprise Office of Thailand, Mr Thiamprasert presented Thailand’s new PPP law, which aims to promote PPP as one of source of financing infrastructure investment. With regard to infrastructure investment, he highlighted budget expenditure and provided an interesting example of the electricity sector. In his summing up, he observed that the key successes from electricity sector are: long-term commitment plan, consistent regulation, private involvement and balancing investment.

#### **IV/ Conclusions and Recommendations**

1/ The consensus view of the Dialogue’s speakers, moderators and participants agreed that the project achieved its intended objectives. They considered the Dialogue to have evaluated to be good for APEC to continue to identify impediments in infrastructure investment world-wide and across the APEC region. They also commented that it was interesting to learn about PPP experience in various APEC member economies. In addition, participants recognized that policy recommendations on improving a business-friendly infrastructure investment were useful.

Participants also said that the Dialogue had provided a great opportunity for networking with experts from within and outside APEC region.

2/ The Dialogue’s participants suggested that future activities on infrastructure investment should be:

- Selection mechanism of private partner for a PPP project;
- Transparency in PPP;
- Monitoring and evaluation of a PPP project;
- Basic principles in drafting PPP guidelines;
- Investment incentives to support infrastructure projects;
- Detailed case studies of particular PPP initiatives, or in other sectors (cargo transport, energy, telecommunications);

- Benchmarking on PPP models;
- Procurement process and risk allocation mechanism;
- Policy-making process and lobbying strategies;
- Process to acquire land for PPP projects;
- Best practices in PPP projects financial structuring.

3/ The Dialogue concluded with two break-out sessions, which discussed: *(i) how to facilitate a business-friendly infrastructure investment in APEC member economies, and (ii) how to enhance capacity building activities to most benefit APEC member economies.* The outcomes of these discussions are attached with this Summary Report.