



**Asia-Pacific
Economic Cooperation**

2011/FMP/CON/001

Agenda

Submitted by: United States



**Conference on the Framework and Options
for Public and Private Financing of
Infrastructure
Washington, D.C., United States
22-23 June 2011**



The United States Treasury

The World Bank

APEC Finance Ministers' Process Conference: The Framework and Options for Public and Private Financing of Infrastructure

June 22-23, 2011

Preston Auditorium, The World Bank

Program for Day 1, June 22, 2011

Registration (8:00-9:00)

(Light continental breakfast will be available)

Opening /Organizational Issues

Michael Kaplan, U.S. Treasury APEC "Senior Finance Official"

Session 1: Welcoming Remarks (9:00-9:20)

Objective: To frame the objectives for the conference: (1) improving planning processes to provide successful infrastructure; (2) how to decide whether to seek private financing for infrastructure, and whether such financing should be at the construction or post-construction phase, taking account of investor interest; (3) instruments, market development, and financial incentives that authorities may use to attract private sector participation; and (4) managing risks.

Speakers:

Charles Collyns, Assistant Secretary for International Finance, U.S. Treasury

James W. Adams, Vice President, East Asia and Pacific Region, the World Bank

Presentation: The Growth of the Infrastructure Asset Class (9:25-9:55)

Objective: To emphasize the strong interest from long-term investors in infrastructure, but also that economies' authorities need to address investor requirements when seeking opportunities for private sector participation.

Speakers:

Ryan Orr, Executive Director, Stanford University Collaboratory for Research on Global Projects

Jim Meketa, CEO, Meketa Investment Group

Session 2: Strengthening Public Investment Programs in Infrastructure: What are the Challenges? (10:00-11:30)

Objective: Many APEC economies emphasize private participation in infrastructure. However, for most economies, the public sector retains the dominant role, and in all economies the quality of public sector planning is critical to achieving results. Cross-economy benchmarking can help APEC economies evaluate how to target improvements in planning systems.

Presentation: Building Infrastructure through Better Public Investment Management (10:00-10:50)

Objective: The ultimate objective of public investment management (PIM) is the creation and preservation of public capital assets, taking into account economic growth and social welfare goals. Strengthening the institutional capability for better PIM is increasingly recognized as a priority, however, a number debates center on how to best gain traction.

Both advanced and emerging economies have pursued a variety of institutional arrangements to promote better public investment. In order to assess progress at different stages, PIM indicators have been designed, and there are best-practice approaches to better project appraisal and implementation, looking at issues such as strategic national relevance and quality, as well as sequencing and real time prioritization of new and existing projects. Another overarching concern is the overall governance and political economy environment for generating productive public investment assessments and policy making strategic decisions.

This session will focus on the necessary ingredients for strengthening a PIM strategy, with a particular focus on the infrastructure sector, with illustrations from middle-income and high-income APEC country recent experiences. In addition, the presentation will focus on management practices that are conducive to efficient public investment and may be a necessary precondition to scaling up private sector engagement.

Speakers:

James A. Brumby, Sector Manager, Public Sector Governance, World Bank

Graham Glenday, Center for International Development, Duke University **John Roome**, Sector Director, Sustainable Development Department, World Bank

Discussion: (10:50 to 11:15)

Coffee Break: (11:15 to 11:30)

Panel Discussion: Public Supply of Infrastructure- Country Experiences (11:30-12:15)

Panelists:

Jay-Hyung Kim, Managing Director, Public and Private Infrastructure Investment Management Center (PIMAC) Korea Development Institute (KDI)

Bill Brummitt, General Manager, International Division, Australian Treasury

Aaron Klein, Deputy Assistant Secretary for Policy Coordination, U.S. Treasury

Xia Lu, Deputy Director, International Division, Ministry of Finance, China

Moderator: **Linda Van Gelder**, Director, Public Sector Governance, World Bank

LUNCH: (12:30 to 2:00) – MC C1 Dining Room

“Building Solid Governance Foundations for Infrastructure”

Sri Mulyani Indrawati, Managing Director, World Bank

Session 3: Building Infrastructure: Public-Private Participation I (2:00-4:00)

Objective: The afternoon will be devoted to the issues economies have faced in gaining traction on a strong program for private participation in infrastructure.

Presentation: Going the Private vs. Public Route - Deciding on Which Approach to Take (2:00 – 2:30)

Objective: With many APEC economies having devoted significant attention and resources to launching PPPs, this segment will assess why there is a need for determining objective criteria for whether private participation or public procurement may be justified for a planned investment. Many governments do not have a consistent approach for deciding whether to procure a given investment on the basis of public procurement versus taking the PPP route. While fiscal issues are important, particularly if a government has limited fiscal space and other budgetary constraints and priorities, there are a number of other considerations including the issues of governance and the ultimate allocation of risk between public and private parties. Moreover, since there are a number of line independent agencies typically involved in PPPs, what is the most desirable institutional approach for ensuring common policy objectives. This session will explore the why such a decision is important and what approach should be utilized in order to adequately assess whether to go the PPP route. In addition, it will review a number of institutional arrangements that have been adopted by member economies with an assessment of their strengths and weaknesses.

Speakers:

Alfonso Guzman, Managing Director, Castalia Advisors

David Bloomgarten, Project Specialist, Multilateral Investment Fund of the Inter-American Development Bank (PPP Readiness Index)

Panel: Enabling Environment for Private Finance of Infrastructure (2:30 - 3:45)

Objective: To discuss the non-project specific measures a government has to put in place to increase private investor confidence vis-a-vis investment in infrastructure. This will include a discussion on PPP frameworks and other measures, such as use of guarantees, establishment of appropriate institutions to interface with the private sector, and appropriate mechanisms to allocate government support to well defined and prepared projects, and the management of contingent liabilities.

Panelists:

Cayetano W. Paderanga, Secretary, National Economic Development Authority), Philippines

Rodrigo Yañez, Advisor, Presidencia de la República, Chile

Dr. Seree Nonthasoot, Legal Counsel, State Enterprise Policy Office, Ministry of Finance, Thailand

Christy García Godos Naveda, Jefe de Proyectos Ferroviarios y Portuarios, PROINVERSION, Peru

Clive Harris, Practice Manager for PPPs, World Bank Institute

Robert Prieto, Senior Vice President, Fluor Corporation

Moderator: **Aldo Baietti**, Lead Infrastructure Specialist, World Bank

Q/A: (3:45 – 4:00)

Coffee Break: (4:00-4:15)

Session 4: Building Infrastructure: Public-Private Participation II -- Challenges of Developing a Robust Project Pipeline (4:15-5:30)

Objective: This session will address the difficulties in putting together a well-prepared pipeline of PPP projects. It will address the questions of: what is meant by "a well prepared PPP project"; what are the costs (not just in financial terms) of not preparing projects well; why do economies generally opt for the perceived cheap and easy route to project preparation; and what monetary, staffing and other resources should be mobilized in order to get a PPP project to financial closure.

Panelists:

Fiona Mules, Head of PPP Program, New Zealand Treasury

John McBride, CEO, PPP Canada

Federico Patiño, Director for Investment Banking, BANOBRAS, Mexico

Jay-Hyung Kim, Managing Director, Public and Private Infrastructure Investment Management Center (PIMAC) Korea Development Institute (KDI)

Sinthya Rosely, President Director, Indonesia Infrastructure Guarantee Fund

Robert R. Taylor, Principal Financial Analyst, IFC

Moderator: **Jon D. Lindborg**, Advisor, Public-Private Partnership, Office of the Director General, Southeast Asia Department, Asian Development Bank

Open Discussion and Wrap-Up of the Day: (5:30-6:00)

Reception and Dinner: (6:00) 12th Floor Gallery

End of Day 1

Program for Day 2, June 23, 2011

Session 5: Investor Perspectives (9:00-11:00)

Presentation: Unlocking long-term private and public capital - What will it take to see more of it for infrastructure? (9:00-9:40)

Objective: The sources of long-term capital from pension funds to sovereign wealth funds are growing, yet their availability for infrastructure finance is limited. The changes that need to take place to unlock this capital are both internal and external. Internally, some funds are beginning to create in-house investment teams, with greater transactional, risk analysis and asset management skills, so that they can invest directly in infrastructure projects. These changes, plus new partnerships with like minded funds, are supplementing and supplanting previous reliance on third party infrastructure managers. Externally, the scaling up of infrastructure debt investments will require creative approaches to credit enhancement and pool finance tools, the precedents for which already exist in the US municipal debt market.

Speakers:

Ashby Monk, Co-Director of the Oxford SWF Project and author of "Managing Financial Risk: from Global to Local"

Bill Streeter, Hastings Fund Management (former Head of the Global Infrastructure & Project Finance Group - Asia-Pacific, Fitch Ratings)

Panel Discussion: (9:40 – 10:30)

Bruce Hogg, Vice President, Canada Pension Plan

Allan Wain, Director, Strategy, Hastings Funds Management, Australia

Ross Israel, Head of Global Infrastructure, Queensland Investment Corporation, Australia

Moderator: **Ryan Orr**, Executive Director, Stanford University Collaboratory for Research on Global Projects

Open Discussion: (10:30 to 10:45)

Coffee Break: (10:45-11:00)

Session 6: Managing Risks and Opportunities of Private Sector Engagement (11:00-1:00)

Objective: This session will focus on changes that governments can make in order to manage both the risks and opportunities of private participation in infrastructure, including political perceptions and the project management issues that span the full life of project concessions.

Presentation: Management of Fiscal Risks from PPPs (11:00-11:45)

Speakers:

Benedict Clements, Division Chief, Expenditure Policy Division, Fiscal Affairs Department, IMF

Freddy R. Saragih, Head of Risk Management Unit, Ministry of Finance, Indonesia

Presentation: Government as Market Makers: The Political Economy of Infrastructure (11:45-12:15)

Objective: Engaging the private sector in the provision of public infrastructure exposes governments to political as well as operational risks. Managing these risks requires improved governance processes over the lifespan of the infrastructure assets (not just at bidding), increased transparency, and stronger engagement with taxpayers. Speakers will present a new model for rationalizing project ownership and operation that strikes a balance between several factors: how the government perceives social equity for the service; how the public perceives its entitlement to the service; how

well the project cash flows support operations and debt service; and how the performance of those cash flows will be affected by the project's future need for capital improvements.

Speakers:

Garry Bowditch, Director of the SMART Infrastructure Facility, University of Wollongong
Bill Streeter, Hastings Fund Management (former Head of the Global Infrastructure & Project Finance Group - Asia-Pacific, Fitch Ratings)

Presentation: Case Study: Recent Experiences in Queensland with Four Asset Sales and General Lessons on Managing the Privatization Process (12:15-12:45)

Objective: The State of Queensland in Australia completed, in May 2011, a A\$12 billion privatization program aimed at restoring its AAA credit rating. It successfully sold five infrastructure assets in the ports, rail, toll road, and timberland sectors. The sales were executed in a number of different ways -- in particular, one asset was transferred to the State's Defined Benefit pension fund. This session examines the methods used by the Queensland Government in its privatization program highlighting, the critical factors that made the different sales processes successful.

Speakers:

Ross Israel, Head of Global Infrastructure, Queensland Investment Corporation, Australia

Open Discussion: (12:45 – 1:00)

LUNCH: (1:00-2:00) MC C1 Dining Room

Session 7: Leveraging capital markets for infrastructure finance (2:00-3:45)

Panel Discussion: (2:00-3:30)

Objective: The financing of infrastructure in the APEC region has to date been overwhelmingly skewed towards public budget, bank lending and, to a limited extent, private investment in PPPs. Capital markets have not been utilized as a source of private capital for infrastructure development. Specifically, debt capital markets instruments such as municipal bonds and revenue bonds offer a unique opportunity for channeling private savings towards infrastructure investments in local infrastructure. What can be done to put in place the frameworks and capacity to utilize capital markets for infrastructure finance, including the regulatory measures which are necessary before local governments or other sub-national entities are allowed to issue debt in the capital market? What are the bottlenecks to the development of this market from the issuer as well as buyer side?

Panelists:

Paul Coughlin, Executive Managing Director, Corporate & Government Ratings, S&P
Ron Carlee, Chief Operating Officer, International City/County Management Association (ICMA)
David Grossman, Director International Programs, ICMA
Aaron Klein, Deputy Assistant Secretary for Policy Coordination, U.S. Treasury Department

Moderator: **Kamran Khan**, Program Director, Singapore Urban Hub, World Bank

Q/A: (3:30 – 3:45)

Moderated Panel Discussion–Key Take-Aways (3:45-4:30)

Objective: To articulate the major themes of the conference, identifying how related topics are best defined in concrete terms for ministers' engagement.

Panelists:

Jay-Hyung Kim, Managing Director, Public and Private Infrastructure Investment Management Center (PIMAC) Korea Development Institute (KDI)
Fiona Mules, Head of PPP Program, New Zealand Treasury
Rodrigo Yañez, Advisor, Presidencia de la República, Chile
Cayetano W. Paderanga, Secretary, National Economic Development Authority, Philippines
Sinthya Rosely, President Director, Indonesia Infrastructure Guarantee Fund

Freddy R. Saragih, Head of Risk Management Unit, Ministry of Finance, Indonesia
Dr. Seree Nonthasoot, Legal Counsel, State Enterprise Policy Office, Ministry of Finance, Thailand
Christy García Godos Naveda, Jefe de Proyectos Ferroviarios y Portuarios,
PROINVERSION, Peru

Moderator: **Marisa Lago**, Assistant Secretary, International Markets and Development, U.S. Treasury

Session 8: Concluding Remarks (4:30-4:45)

Speakers:

Marisa Lago, Assistant Secretary, International Markets and Development, U.S. Treasury
Otaviano Canuto, Vice President, PREM, World Bank