



**Asia-Pacific
Economic Cooperation**

2014/SOM3/IEG/DIA/000

Document List

Submitted by: APEC Secretariat



**Promoting Infrastructure Investment
Through Public Private Partnership
Beijing, China
13 August 2014**

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**Asia-Pacific
Economic Cooperation**

2014/SOM3/IEG/DIA/001

Draft Agenda

Submitted by: China



**Promoting Infrastructure Investment
Through Public Private Partnership
Beijing, China
13 August 2014**

Promoting Infrastructure Investment through PPP

2014 IEG PPD

August 13, 2014-Beijing Hotel

Beijing, the People's Republic of China

Draft Agenda

Wednesday, August 13

Venue: Conference Room 1 (East Hall, Beijing Palace, 1st Floor, Beijing Hotel International Convention Center)

8:30-9:00 Arrival & Registration

9:00-9:10 Opening Ceremony

Host: Yi Zhihong, Vice President of Renmin University of China

Opening Remarks

Wang Shouwen, Assistant Minister of Commerce of China

John Larkin, APEC CTI Chair

9:15-9:30 Keynote Speech

Chen Yulu, President of Renmin University of China (RUC), Member of the Monetary Committee of the People's Bank of China

9:30-10:30 Session 1: Promoting Infrastructure Investment through PPP: From the Innovation in Finance Perspective (60 minutes)

This session will have an overview of infrastructure investment in the APEC region and worldwide. Experts from APEC economies, universities and international organizations will discuss the background, current development and trends of PPP and the roles of the public and private sectors in APEC infrastructure investment. The challenges and opportunities faced by both developed and developing economies will be reviewed, as well as the highlights of what role finance can play in the PPD. Innovation of finance in PPP will also be discussed.

Moderator: Tao Ran, Professor at School of Economics, Renmin University of China

Speakers:

Binyam Reja, Country Sector Coordinator, Transport, China and Mongolia SD Unit, World Bank

Hisaka Kimura, Head, Private Sector Infrastructure Finance, East Asia Unit, Infrastructure Finance Division 2, Private Sector Operations Department, Asian Development Bank

Gonzalo Prialé, President of Association for the Promotion of National Infrastructure, Peru

Wei Benhua, Former Deputy Administrator, SAFE; Senior Fellow of Chongyang Institute for Finance Studies, Renmin University of China

Zhao Xijun, Deputy Dean of School of Finance at Renmin University of China
Discussion (Q&A)

10:30-10:40 Coffee Break

10:40-13:00 Session 2: Experience Sharing: How to Facilitate Infrastructure development through PPP: (140 minutes)

In the Session, government officials, industry and financial representatives will discuss their views on different aspects of PPP in infrastructure development, and deepen understanding and awareness of mutual benefit in infrastructure investment in APEC economies. They will also have a wide discussion on policy options of PPP for infrastructure development and investment to create a sound business environment for the private sector participating in investment infrastructure.

Moderator: Zhao Xijun, Deputy Dean of School of Finance at Renmin University of China
Speakers:

Lu Xia, Deputy Director, International Economic Relations Division II, International Department, Ministry of Finance, China

Nguyen Van Huong, PPP Office, Public Procurement Agency (PPA), Ministry of Planning and Investment, Vietnam

Kuzumi Nishikawa, Executive Director of Japan External Trade Organization Singapore office (JETRO Singapore)

Mike Pfister, Senior Policy Advisor, Investment Policy Reviews, Directorate for Financial and Enterprise Affairs, OECD

Ahmad Zamri Khairuddin, Senior Director at PPP Policy Section, Public Private Partnership, Prime Minister's Department, Malaysia

Vanessa Wang, Managing Director, Market and Securities Fund Services, Citigroup

Zhang Yanling, Former Executive Vice President of Bank of China, Member of the Executive Board of ICCs World Council, Senior Fellow of Chongyang Institute for Finance Studies, Renmin University of China

Zhou Zhizhu, General Manager, China Southern Power Grid Synthesis Energy CO.,Ltd.

Wei Bin, Chief economist of State Grid Energy Research Institute of China

Discussion (Q&A)

13:00-14:45 Lunch

14:45-17:00 Session 3: Way Forward: Recommendations for APEC Future Cooperation (135 minutes)

In this session, representatives from both the public and private sector will have panel discussions and develop recommendations on enhancing coordination and cooperation on PPD, with a view to assisting economies in designing and implementing policies, strategies and actions to promote the PPP in the various industry sectors for APEC infrastructure and avoid frictions, as well as improving the business climate and creating a strategic vision of developing regional system to removing barriers for investment capital across borders.

Moderator: Wang Wen, Executive Dean of Chongyang Institute for Financial Studies,
Renmin University of China (RDCY)

Speakers:

Waikeli Raphael Lam, Resident Representative for China, International Monetary Fund

Lim Siang Kee, Board Member of Business Council of Papua New Guinea

Geoff Raby, Vice Chairman, Macquarie Group Great China Area

He Weiwen, Former Economic and Commercial Counselor at the Chinese Consulate
General in San Francisco and New York

Robert Blohm, Managing Director, Keen Resources Asia Ltd

Liu Ying, Senior Researcher, Chongyang Institute for Financial Studies, Renmin University
of China (RDCY)

Discussion (Q&A)

**17:00-17:20 Closing Address (Yi Zhihong, Vice President of Renmin University of
China)**



**Asia-Pacific
Economic Cooperation**

2014/SOM3/IEG/DIA/002

Session: 1

**Private Sector Participation in Infrastructure:
Recent Trends and Optimal Allocation of Risks**

Submitted by: World Bank



**Promoting Infrastructure Investment
Through Public Private Partnership
Beijing, China
13 August 2014**

Private Sector Participation in Infrastructure: Recent Trends and Optimal Allocation of Risks

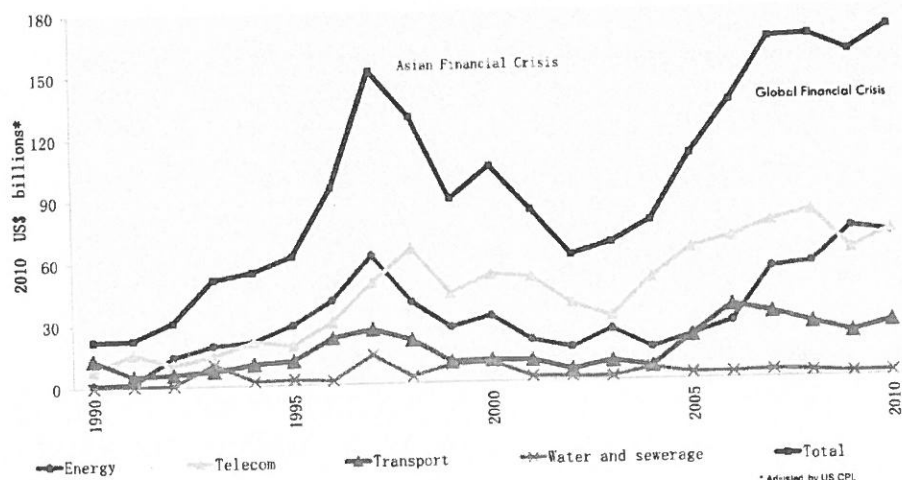
APEC Seminar on Promoting Infrastructure Investment through PPP

August 12, 2014

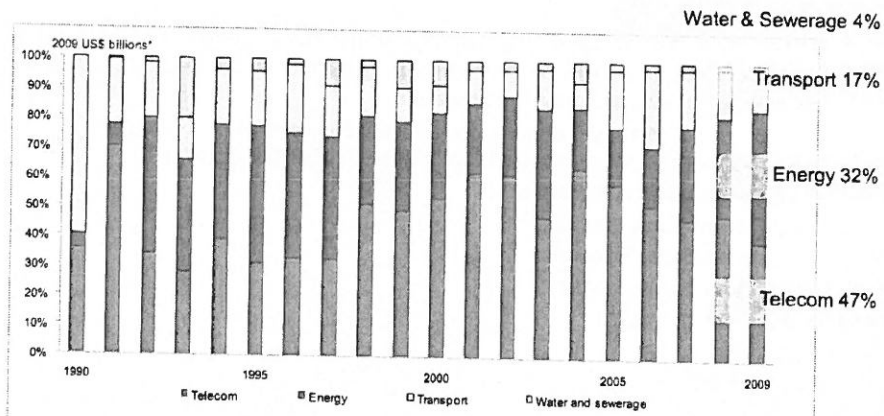
Beijing, China

Binyam Reja, Ph.D.,
Transport Sector Coordinator
World Bank, Beijing Office

PPPs have become a mature source of funding for infra

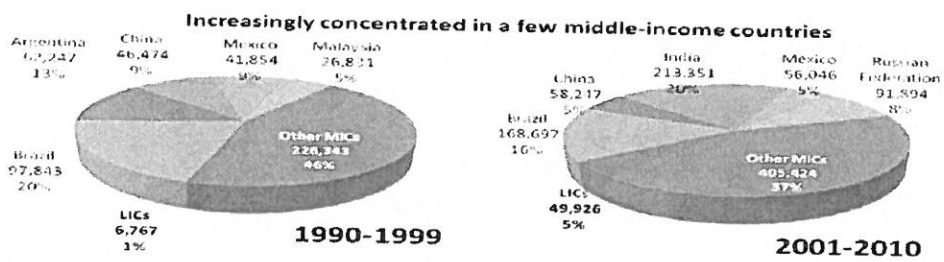


Few sectors dominate



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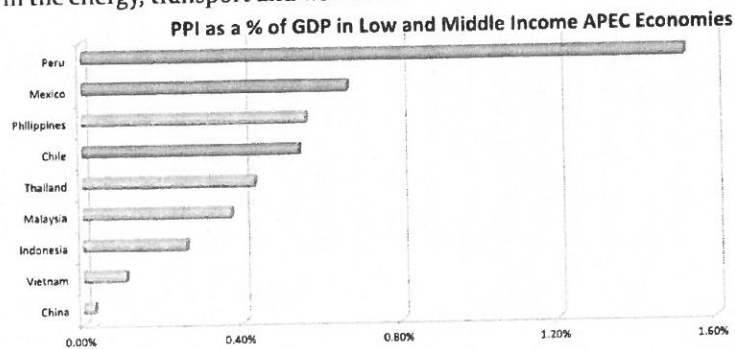
Concentrated in a few economies



LICs share has increased from 1 percent to 5 percent

Latin American APEC members tend to attract more private investment in infrastructure...

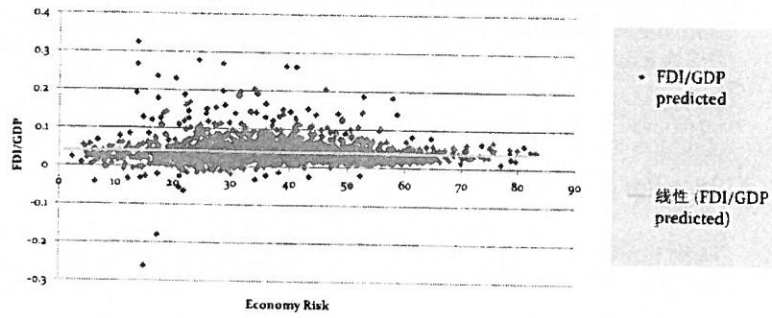
- When controlled for the size of their economies (GDP), APEC members in Latin America tend to have greater private participation in infrastructure, particularly in the energy, transport and water sectors.



How is the risk appetite for investment?

FDI and Sovereign Risk

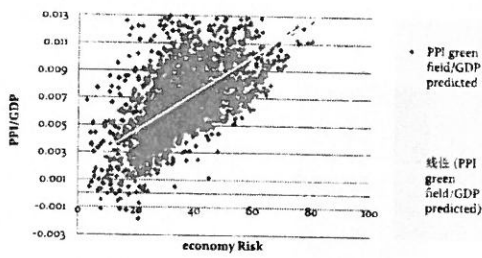
Correlation between Economy Risk and predicted value of FDI/GDP



Source: Araya, Schwartz & Andres, World Bank (2013)

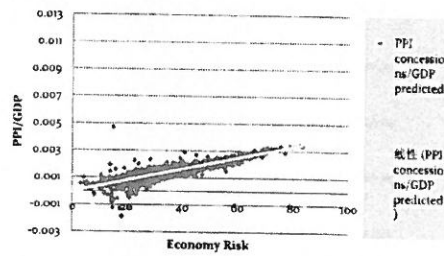
PPI and Sovereign Risk

Correlation between the predicted value of PPI Greenfield/GDP and Economy Risk



Source: Araya, Schwartz & Andres (2013)

Correlation between the predicted value of PPI Concessions/GDP and Economy Risk



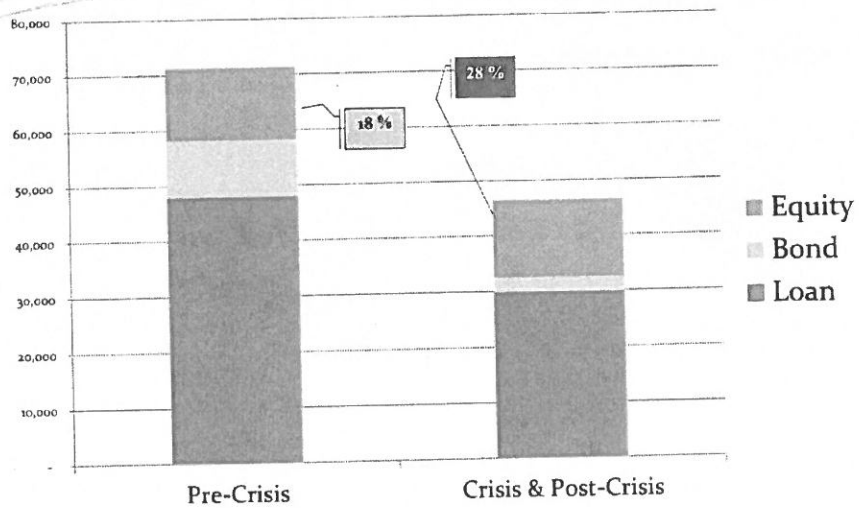
Source: Araya, Schwartz & Andres (2013)

New environment – costlier and more uncertain

Before the crisis	Now
Dominated by Banks (US & Europe)	Caution by Commercial Banks: Increase of financing costs & restructuring balance sheets due to Basel III
Price (for UK): LIBOR +90bps	Price (for UK): LIBOR + 275 bps
Term (for UK): 30 years	Term (for UK): <7 years

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Gearing has decreased



Source: World Bank Calculations from ProjectWare Database

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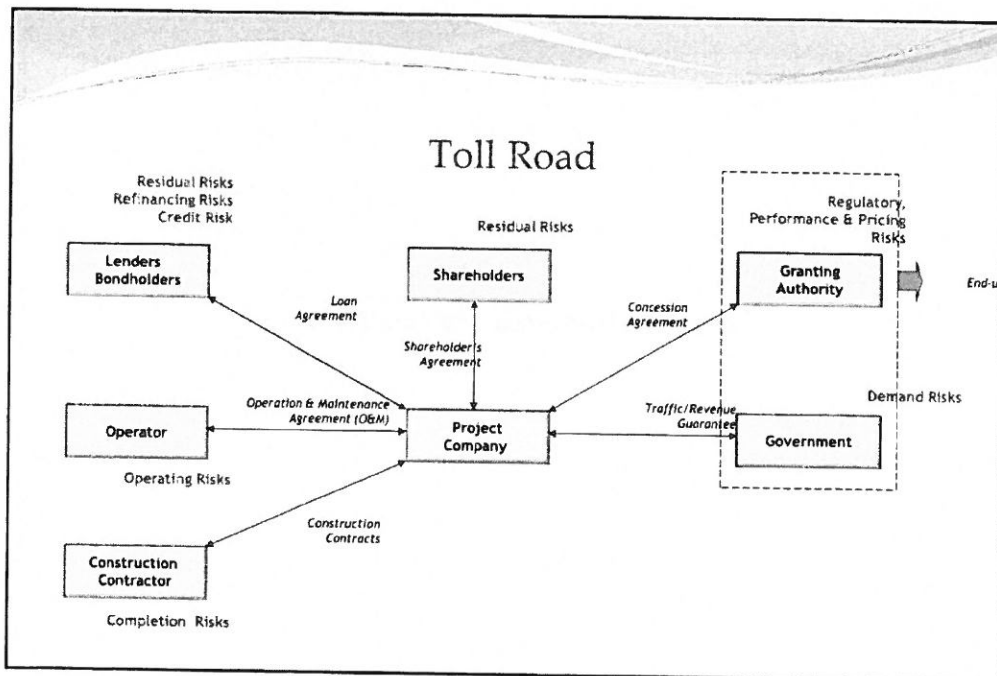
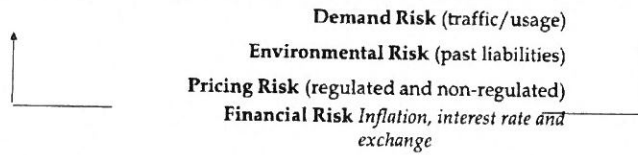
Risk Assessment

Project Specific Risks "non sovereign risks"

- **Completion Risk** (engineering & construction cost / time cost control/performance/defects)
- **Operational Risk** (technology, quality, technical & operational know-how)
- **Environmental and Social Risk** (future liabilities, project delays, costs overruns)
- **Credit Risk** (project leverage)

Economy (Economy wide) Risks "sovereign risks"

- **Political Risk** (expropriation, political violence, Gov't breach)
- **Regulatory Risks** (pricing formulas, right of way, currency convertibility & transfer)
- **Legal Environment** (rule of law, judicial system, access to justice and arbitration)



Demand Risk:

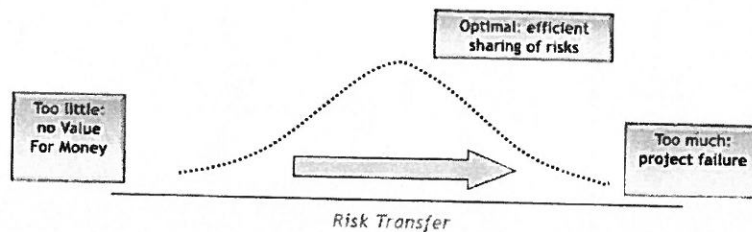
Traffic Forecasts and Risk Noise

- Forecasts based on assumptions – imprecise at the best of times
- Models tend to reflect bias of modeller/purpose of model
- Standard & Poor's (2002)
 - Identified optimism bias in 32 traffic forecasts
 - Traffic volumes on average only 70% of that forecast
 - Lenders' forecasts achieved average of 82%, non-lenders 66%

What instruments are out there?

Public View of Risk: The Value for Money Concept

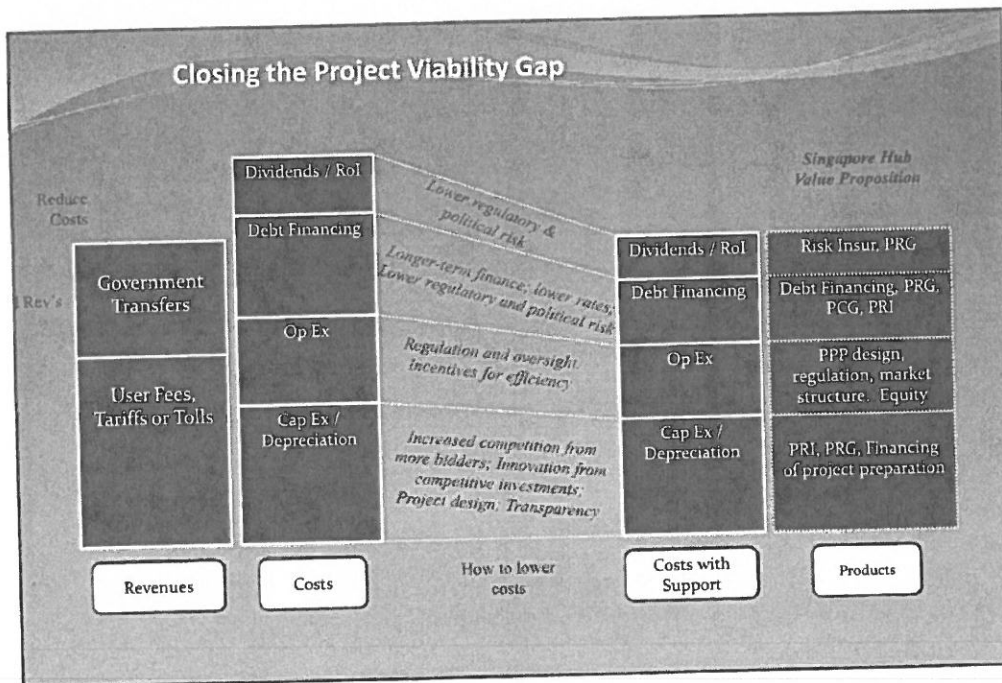
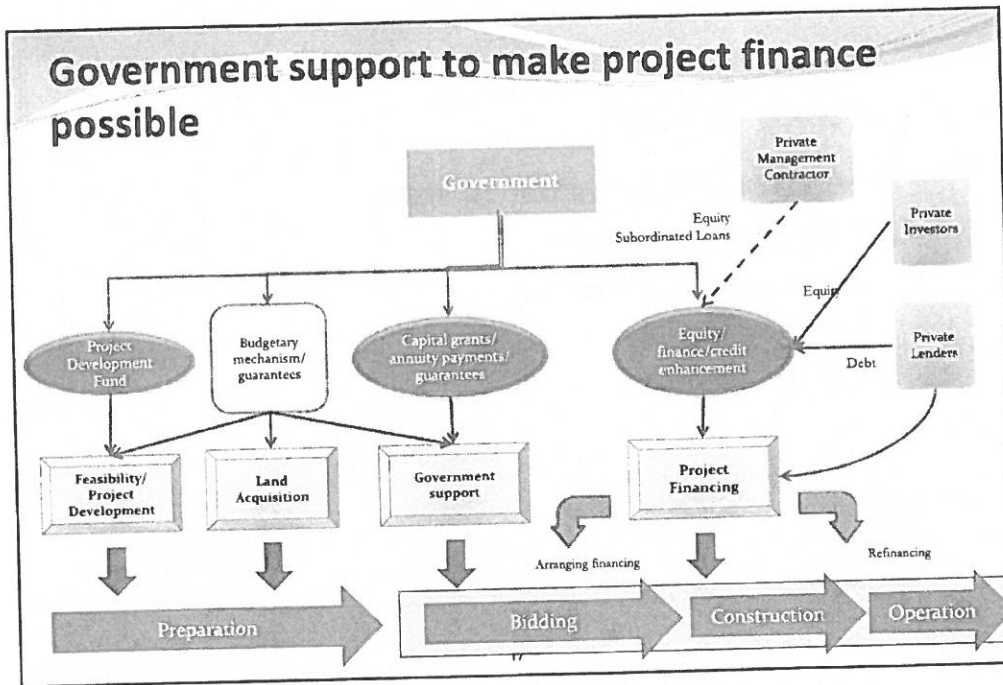
- Adequate distribution of risks
 - Financial efficiency
 - Commercial efficiency
 - Project fragility
 - Market standards



Risk mitigation - Tools

Risk	Instrument	Availability
Convertability, expropriation	Political Risk Insurance	High – MIGA, commercial insurers
Breach of contract, Regulatory Change Non-honoring	Contractual & Regulatory Cover Partial Risk Guarantee	Moderate but increasing WB, MIGA, some private insurers
Debt service	Partial Credit Guarantee	High – WB / IFI's, private insurers
ForEx Cover	Devaluation	Low to none
Construction Ramp-up (early demand)	Project Bonds New PPP Structures	Under design

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Thank You!

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