



**Asia-Pacific
Economic Cooperation**

2014/SOM3/IEG/DIA/009

Session 2

**Summary Report - APEC Capacity Building Seminar
on Quality of Infrastructure Development and
Investment in Tokyo, Japan in August 2014**

Submitted by: Japan



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

Summary Report
APEC Capacity Building Seminar
on **Quality of Infrastructure** Development and
Investment
in Tokyo, Japan in August 2014

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General Information

- 4-day capacity building seminar in Tokyo (August 4-7, 2014)
- 32 Participants (officials of governments or governmental bodies, or Embassy staff in Japan) from 17 APEC economies
- Raising awareness of importance of Quality of Infrastructure
- Presentations, Field trips and Discussions

Background: AELM (Bali) in 2013

APEC Multi Year Plan on Infrastructure Development and Investment

8. We also recognized the importance of planning with comprehensive and holistic considerations, such as taking into account long-lasting asset value, stability of long term cash flow and lifecycle cost.

APEC Multi-Year Plan on Infrastructure Investment and Development Possible Work Streams

Workstream 3: Development of government capacity to identify and generate a pipeline of bankable infrastructure projects

- Improving governments' expertise in planning infrastructure projects with comprehensive and holistic consideration
 - To secure long-lasting asset value and stability of long-term cash flow of infrastructure projects.
 - To improve bidding process of infrastructure projects that incorporate not only a purchase price but also key elements such as lifecycle cost including performance and durability, environmental impacts, safety and maintainability.
 - To reduce risk to infrastructure investments by incorporating disaster risk reduction, including structural and non-structural measures, into infrastructure planning and development.

Contents Covered

Presentations

- Quality in Infrastructure Development
- Diverse Public Procurement Systems
- Assessment Methodology for Quality of Infrastructure
- Financing of Infrastructure Projects
- Infrastructure Collaboration and Investment from Developed Economies to Developing World
- Major Elements in Quality of Infrastructure Development and Investment in Specific Sectors (Thermal Power Plant, Water and Waste Water, and Railway)
- Database System for Performance Records of Private Companies relating to Infrastructure Development and Investment
- Experiences in Canada, Chile, India and Peru

Field Trips

- Advanced Infrastructures sites in Japan (*Shinkansen* Control Center and The Railway Museum, Coal Power Plant, Water Purification Plant and Water Reclamation Center)

Wrap-up

- Discussions based on the Draft Guidebook on Infrastructure Development and Investment

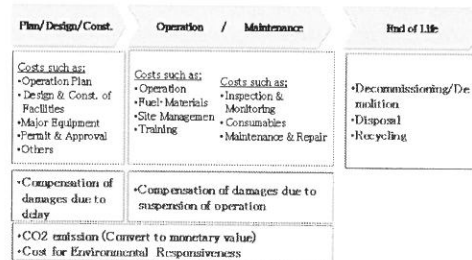
Quality of Infrastructure (1)

- Three Key Elements to be considered: **Lifecycle Cost (LCC)**, **Environmental and Social** aspects, and **Safety**

Three key elements of Quality



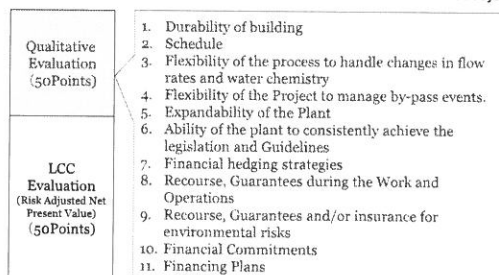
Concept of Life Cycle Cost



Quality of Infrastructure (2)

- In order to secure **Quality of Infrastructure**
 - **Project Screening Process: Qualification Screening and Proposal Evaluation**

Sample: **Proposal Evaluation Criteria on Water Treatment Plant Project**



- **Institutional Capacity** (skills and human resources)

APEC Guidebook on Infrastructure Investment

- To enhance understanding of key principles on “Quality” in infrastructure development and investment among government officials and other stake holders in APEC economies who are involved in infrastructure development and investment
- To be discussed in CTI3, to be finalized by November 2014

APEC Guidebook on Infrastructure Investment

Content of the draft Guidebook

- Characteristics and quality of infrastructure projects
- Method for securing quality
- Process for developing infrastructure projects and decision-making
- Basic concept of procurement procedures for infrastructure projects
- Importance of appropriate screening
- Considerations on financing for the PPP methods
- Concept of institutional structure for project implementation



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Increasing Private Sector Participation in Infrastructure Investment

Submitted by: OECD



**Promoting Infrastructure Investment
Through Public Private Partnership
Beijing, China
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INCREASING PRIVATE SECTOR PARTICIPATION IN INFRASTRUCTURE INVESTMENT

*Lessons learned from OECD Investment
Policy Reviews based on the PFI*

2014 IEG PPD

August 13, 2014, Beijing

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Introducing the OECD

- *The Organisation for Economic Co-operation and Development (OECD) **promotes policies to improve the economic and social well-being** of people around the world.*
- *The OECD provides a forum in which governments can work together to share experiences and seek solutions to common problems*
 - *250 technical committees, working groups and expert groups ranging from investment to PPPs to tax*
- **The OECD's work on Investment focuses on global best practices from OECD and non-OECD economies**
 - *National-level activities (reviews at national level)*
 - *Regional activities (e.g. OECD-ASEAN Investment Programme)*
 - *Participation in committees*





OECD's work on infrastructure investment


- *Increasing private sector participation in infrastructure investment : various OECD contributions*
 - **OECD Principles for Private Sector Participation in Infrastructure**
 - Checklist of policy issues to consider in ensuring that citizens get the services they need at a fair cost and with viable returns to private sector partners
 - **Policy Framework for Investment (PFI)**
 - Raises issues for policy makers in policy domains that affect the business climate
 - **OECD Investment Policy Reviews**
 - Based on the PFI: national-level studies including assessment, recommendations, capacity-building and implementation
 - **Exchanges of experience and capacity-building**
 - Trainings and conferences organised with a wide variety of partners, e.g.
 - ASEAN-OECD
 - Latin America and Caribbean
 - NEPAD-OECD Africa Investment Initiative
 - Southern Africa: SADC Investment Policy Framework




Investment Policy Reviews and the Policy Framework for Investment

- *Investment Policy Reviews (IPRs) draw on the Policy Framework for Investment (PFI)*
 - Checklist of questions in **ten policy areas** to create a competitive environment for domestic and foreign investment
 - Emphasises **cross-cutting themes**: rule of law, transparency, non-discrimination and the protection of property rights
 - Used in national level studies → IPRs
- *Updating the PFI – currently underway*
 - Incorporating lessons learned and feedback (economies, regions, OECD, other stakeholders)
 - Policy coherence and a more user-friendly PFI
 - Focus on development impact of private investment
 - Incorporating new developments, tools, sector-specific applications: e.g. green investment and clean energy infrastructure
 - **Specific and detailed chapter on infrastructure investment**

PFI policy areas	
• Investment policy	• Responsible business conduct
• Investment promotion and facilitation	• Human resource development
• Trade policy	• Infrastructure and financial sector development
• Competition policy	• Public governance
• Tax policy	
• Corporate governance	



Investment Policy Reviews and the Policy Framework for Investment : a source for national experiences

- *30 Investment Policy Reviews undertaken*
 - *Key findings feed into lessons learned and best practices*




- *22 Investment Policy Reviews with **dedicated Infrastructure chapters** (including APEC members e.g. Indonesia and Malaysia)*
 - *Analysis of infrastructure investment policy*
- *Identification of funding gaps*
- *Identification of possible reforms for better and more infrastructure investment*

National -level:




- *Study on lessons learned from IPRs on promoting private investment in infrastructure*


Analysing national experiences of Investment Policy Reviews : the role of infrastructure investment and private sector participation

- *Importance of infrastructure on the **investment attractiveness of host economies***

*Road network and port system : each day in transit costs between **0.6 and 2%** of the value of traded goods*

- *Risks associated with and restrictions on private ownership in strategic infrastructure sectors still **limit the level of private participation in infrastructure markets***



*Easing restrictions must be paired with **sufficient government capacity and an enabling environment***

Risks related to private investment in infrastructure :

- *large scale*
- *capital intensiveness*
- *long time-frames*
- *vulnerability to government regulations*
- *political sensitivity*

Restrictions on private ownership in strategic sub-sectors:

- *fixed line telephone services*
- *energy transmission and distribution (especially grid-based electricity)*
- *improved drinking water*
- *transport sector (rail, air and maritime)*



Source: *Lessons Learnt From Investment Policy Reviews With a Focus on Infrastructure Sectors in Latin America, Africa, South East Asia (SEA) and the Middle-East and North-Africa (MENA) (OECD 2014)*



Analysing experiences from Investment Policy Reviews : the role of infrastructure investment and private sector participation

- *Need to substantially increase infrastructure investment in developing and emerging economies. Private involvement can ease the pressure on public funds*

Estimated USD 60 trillion of infrastructure investment needed 2013-2030 to meet needs of growing populations.
In developing economies, this will require doubling current levels of infrastructure investment
(World Economic Forum 2013)

- *Delegation of construction and management of infrastructure projects to private investors → cost and efficiency gains*

Evidence from 1 200 water and energy utilities in 71 economies:

- 12% increase in the average number of residential water connections
- 19% increase in the residential coverage of sanitation services
- 45% improvement in the electricity bill-collection rate
- 41% increase in hours of daily water service

Source: Lessons Learnt From Investment Policy Reviews With a Focus on Infrastructure Sectors in Latin America, Africa, South East Asia (SEA) and the Middle-East and North-Africa (MENA) (OECD 2014)



Analysing experiences from Investment Policy Reviews : the role of infrastructure investment and private sector participation



No one-size-fits-all solutions



..but best practices for competitive, value-for-money, and acceptable infrastructure projects



Best practices for enhancing private participation and end-user affordability in infrastructure sectors

- **Investment regime** that provides clarity and predictability for investors
- **Supportive institutional environment**
- **Careful project preparation** – cost-benefit analysis, environmental impact assessment, analysis of suitability for private sector participation
- **Varied and adapted sources of project finance**
- **Fair and transparent public procurement regime:** reduced FDI restrictions → increased number of bidders → reduced costs

Source: Lessons Learnt From Investment Policy Reviews With a Focus on Infrastructure Sectors in Latin America, Africa, South East Asia (SEA) and the Middle-East and North-Africa (MENA) (OECD 2014)

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Best practices for enhancing private participation and end-user affordability in infrastructure sectors

- **Improving SOE governance:** separated ownership and management, audits, adherence to corporate governance standards
- **Unbundling supply chains** in network infrastructure sectors for fairer competition
- **Ensuring user affordability through functioning regulatory regimes and competition authorities**
- **Reforming pricing structures in infrastructure networks:** moving closer to cost-recovery levels

Source: Lessons Learnt From Investment Policy Reviews With a Focus on Infrastructure Sectors in Latin America, Africa, South East Asia (SEA) and the Middle-East and North-Africa (MENA) (OECD 2014)



Thank you...

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