

## **Action Agenda on Promoting Infrastructure Investment Through Public-Private Partnership (PPP)**

The infrastructure investment gap in the APEC region is huge, while governments alone cannot meet the investment requirements for infrastructure. In 2013, APEC endorsed Multi-Year Plan on Infrastructure Development and Investment, setting an important platform to work on infrastructure development and investment. In 2014, China put “Strengthening Comprehensive Development in Infrastructure and Connectivity” as one of the three priorities of APEC 2014.

Well-established infrastructure can facilitate trade and investment in other sectors. It can support supply chain connectivity and reduce trade barriers such as transaction costs for the region. Moreover, it will boost economic growth of both developed and developing economies in the APEC region. Especially, the lack of infrastructure is one key obstacle to the economic development in developing economies, and acts as a constraint to increasing cross-border investment in the APEC region. Extensive economic research shows that although the capital returns in many developing economies are higher than those in the developed economies, capital flow from the developed to the developing economies is less than economic models would suggest. Among many different explanations to this puzzle, the lack of infrastructure of the developing economies and lack of facilitating investment policies are widely accepted reasons.

There are mutual benefits for all the APEC members to cooperate in infrastructure investment, including through PPP. PPP, when suitably designed and fit for purpose, offer a viable alternative to public sector financing of infrastructure development, in that it can improve service quality, optimize use of resources, and alleviates fiscal constraints through sharing risks and responsibilities. At the same time, there is positive externality of one economy's infrastructure on the other economies. Therefore, the economic cooperation among APEC members on infrastructure investment, including through PPP modality, is very desirable.

On August 13th, 2014, IEG Public Private Dialogue on the theme of “Promoting Infrastructure Investment through PPP” was held in Beijing and carried out intensive discussion on PPP in Infrastructure Investment. Based on previous APEC works on PPP in infrastructure investment and recommendations made by the experts and participants at the 2014 IEG PPD, bearing in mind of the non-binding nature of APEC, economies has identified the following actions that will contribute to the overall objectives of APEC cooperation on regional connectivity and infrastructure. In

pursuing these actions, IEG will coordinate with CTI, SFOM and other related APEC sub-fora, in order to prioritize resources and avoid duplication among the ongoing work:

1. Promote continued policy dialogue on methods of financing infrastructure investment, including through the development of open, transparent, and accessible investment climates and by using PPP and other financing mechanisms. Such dialogue can raise awareness and common understanding of APEC economies on the definition, characteristics, merits and challenges of applying PPP modality in infrastructure investment, as well as creating policies conducive to infrastructure investment.

2. Share good policies and practices, build interests among APEC economies in applying PPP modality including innovative financial mechanisms for infrastructure investment, and identify capacity building needs.

3. Accelerate IEG's work in assembling *PPP Guidebook* that aims to compile information on the variety of PPP frameworks already put in place by APEC economies. Consider future IEG work to address other mechanisms of facilitating private sector investment in the infrastructure sector including through public-private financing.

4. Take *ABAC Enablers of Infrastructure Checklist* as a useful reference for economies to enhance government policies and operation to facilitate infrastructure investment through PPP, such as by strengthening government's capacity in project planning and coordination, building a sound legal and regulatory environment, developing robust PPP models and frameworks, as well as creating and maintaining a transparent investment environment to attract foreign direct investment.

5. Launch capacity building initiatives to address identified impediments in promoting PPP projects in infrastructure development and improve the ability of developing economies to better utilize PPP, develop policies conducive to investment, and facilitate infrastructure development and boost engagement of the private sector. These will be aligned with APEC's Multi-Year Plan on Infrastructure Development and Investment.

6. Encourage APEC economies to consider establishing functioning, well-trained PPP centers based on their needs and circumstances, to promote PPP as a method for facilitating infrastructure investment, and share experience, cooperate and coordinate on PPP development in the Asia-Pacific region.

7. Strengthen collaboration between APEC economies, ABAC and private sectors, and international organizations such as World Bank, International Monetary Fund, OECD, Asian Development Bank, etc. with a view to sharing project information and enhancing effective deployment of financial and knowledge resources within and beyond the region.

8. Enhance analytical work on PPP and promote collaboration among regional academia, including by exploring the potential for establishment of an APEC network of study bases, which could serve as an important analytical framework to promote PPP development and cooperation under the principle of mutual benefit.

9. Continue APEC efforts to identify actions and best practices to develop a policy environment conducive to such investment.