



**Asia-Pacific
Economic Cooperation**

Advancing Free Trade
for Asia-Pacific **Prosperity**

**Outcome Report
Symposium on APEC Connectivity
Blueprint
(Qingdao, China – 12 May 2014)**

APEC Policy Support Unit



Prepared by:
Emmanuel A. San Andres and Collin Jay Gerst
Asia-Pacific Economic Cooperation Policy Support Unit
Asia-Pacific Economic Cooperation Secretariat
35 Heng Mui Keng Terrace
Tel: (65) 6891-9500 Fax: (65) 6891-9690
Email: psu@apec.org Website: www.apec.org

APEC#214-SE-01.9



This work is licensed under the Creative Commons Attribution-NonCommercial-ShareAlike 3.0 Singapore License. To view a copy of this license, visit <http://creativecommons.org/licenses/by-nc-sa/3.0/sg/>.

The authors are grateful to Dr Denis Hew, Dr Akhmad Bayhaqi and Ms Aveline Low for providing guidance and comments on earlier drafts of this report. The views expressed in this report are those of the authors and do not necessarily represent those of APEC Member Economies.

INTRODUCTION

APEC Leaders at the October 2013 APEC Economic Leaders' Meeting in Bali, Indonesia endorsed the APEC Framework on Connectivity and tasked Senior Officials with creating an overarching Connectivity Blueprint to further efforts toward a seamlessly and comprehensively connected and integrated Asia Pacific region. During the First Senior Officials' Meeting (SOM 1) in Ningbo, China in February 2014, Senior Officials tasked the Policy Support Unit (PSU) with drafting the Blueprint — the first of its kind for APEC.

The Blueprint will be divided into three pillars – Physical, Institutional, and People to People Connectivity.

- Physical Connectivity improves supply chain performance and connects and integrates logistics, transport, energy, and telecommunications infrastructure.
- Institutional Connectivity advances regulatory and procedural cooperation and coherence among economies.
- People to People Connectivity enhances interaction, mobility, and joint endeavours.

Work toward these three pillars will be directed by the Blueprint, the general outline of which was endorsed by Senior Officials at SOM 1. The Blueprint will begin with an introduction outlining connectivity in the APEC context, before moving onto the substantive content. The second chapter on achievements and challenges will describe ongoing and completed actions taken by APEC fora and individual member economies. The third chapter on key initiatives will identify future projects which will help move the region toward its connectivity goals. The next chapter on strategies for implementation will describe how economic and technical cooperation activities will be used to best facilitate uptake of the Blueprint. This will be followed by the final chapter on monitoring, evaluation, and review which will conclude by focusing on setting targets, baselines, and benchmarks as well as choosing indicators and timeframes to measure progress of implementation.

To further these efforts, China as 2014 host economy and the PSU hosted a Symposium on APEC Connectivity Blueprint on the sidelines of the Second Senior Officials' Meeting (SOM 2), held in Qingdao, China on 12 May 2014. The symposium was organised to help inform member economies on the specifics of connectivity and how it will help shape future APEC work streams. The symposium also aimed to draw insights from experts who have been working on specific technical issues relating to connectivity such as monitoring and evaluation, targeting and benchmarking, and how to create successful review mechanisms and oversight structures. The insights gathered during the symposium will help enrich and shape the APEC Connectivity Blueprint. This report highlights the key outcomes of the symposium, providing a brief summary of the messages in each session and synopses of the speakers' presentations.

Table of Contents

| | |
|---|----|
| SYMPOSIUM OVERVIEW | 1 |
| SESSION II: KEY INITIATIVES FOR ENHANCED CONNECTIVITY IN THE ASIA PACIFIC | 1 |
| Session 2.1 - Lim Chze Cheen, Assistant Director, Connectivity Division, ASEAN Secretariat .. | 1 |
| Session 2.2 - Yushu Feng, Principal Economist (Regional Cooperation), Asian Development Bank | 3 |
| Session 2.3 - Sam Gerovich, First Assistant Secretary, Trade and Economic Policy Division, Department of Foreign Affairs and Trade, Australia | 3 |
| Session 2.4 - John Larkin, Chair, Committee on Trade and Investment..... | 4 |
| Session 2.5 - Rory McLeod, Chair, Economic Committee..... | 5 |
| Session 2.6 - Lu Xia, Deputy Director, International Economic Relations Division, Ministry of Finance, China | 6 |
| Session 2.7 - Mika Takahashi, APEC Business Advisory Council | 7 |
| SESSION III: CAPACITY BUILDING FOR BETTER CONNECTIVITY..... | 8 |
| Session 3.1 - Laura Del Rosario, Chair, SOM Steering Committee on Economic and Technical Cooperation (ECOTECH)..... | 8 |
| Session 3.2 - Yuqing Xing, Director, Capacity Building and Training Department, ADB Institute | 9 |
| Session 3.3 - Djisman Simandjuntak, Chair, Indonesian National Committee for Pacific Economic Cooperation..... | 10 |
| SESSION IV: SETTING TARGETS, REVIEW AND TIMEFRAME: LEARNING FROM EXPERIENCES | 11 |
| Session 4.1 - Fukunari Kimura, Chief Economist, Economic Research Institute for ASEAN and East Asia | 11 |
| Session 4.2 - Binyam Reja, Country Sector Coordinator and Lead Transportation Specialist, East Asia and Pacific Region, World Bank | 12 |
| Session 4.3 - Trudy Witbreuk, Head, Development Division, OECD Trade and Agriculture Directorate..... | 13 |
| ANNEX: BACKGROUND AND PROGRAMME FOR THE SYMPOSIUM..... | 15 |

SYMPOSIUM OVERVIEW

The Symposium on APEC Connectivity Blueprint was held in Qingdao, China on 12 May 2014. Organised to help inform member economies on the specifics of connectivity and how it will help shape future APEC workstreams, the symposium aimed to draw insights from experts who have been working on specific technical issues relating to connectivity such as monitoring and evaluation, targeting and benchmarking, and review mechanisms and oversight structures. Insights gathered during the symposium will contribute toward the drafting of the APEC Connectivity Blueprint.

The symposium lasted one day with more than 100 participants attending and was structured into five sessions. Session I and V were opening and closing sessions, respectively. Sessions II, III, and IV composed the bulk of the symposium, discussing ongoing connectivity initiatives, capacity building, and measurement issues. The key discussions and outcomes from Sessions II, III, and IV are presented in this report. The Annex provides the background and programme for the symposium as well as links to the speakers' presentations.

SESSION II: KEY INITIATIVES FOR ENHANCED CONNECTIVITY IN THE ASIA PACIFIC

Many activities related to connectivity have already been undertaken by various multilateral organisations, including APEC. Connectivity initiatives and experiences by the Association of Southeast Asian Nations (ASEAN), the Asian Development Bank (ADB), and the G20 were shared and discussed during the first part of the session, with APEC's experience discussed during the second session by the Chairs of the Committee on Trade and Investment (CTI) and Economic Committee (EC), as well as representatives from the Finance Ministers' Process (FMP) and APEC Business Advisory Council (ABAC).

Among the key takeaways from this session is that connectivity is a broad issue, encompassing many sectors from infrastructure and logistics to immigration and customs, and there is a need to work simultaneously on all aspects. Piecemeal implementation of connectivity initiatives will not be effective. Similarly, simultaneous attention needs to be given to the hardware (i.e., physical infrastructure) and software (i.e., rules, processes, and institutions) relating to connectivity. However, while simultaneous attention to all sectors and aspects of connectivity is ideal, initiatives should also be flexible enough to address realities on the ground. Hence, the APEC Connectivity Blueprint should provide strategic guidance to APEC's work while allowing a bottom-up approach to naturally develop initiatives that respond to changing economic circumstances.

Session 2.1 - Lim Chze Cheen, Assistant Director, Connectivity Division, ASEAN Secretariat

The ASEAN is a grouping of 10 regional economies representing 9% of the world's population but only 3% of the world's land area. ASEAN's maritime area is three times larger than the available land mass, making connectivity a vital yet challenging goal as the region seeks to connect its infrastructure, institutions, and people. Having a connected

ASEAN is a vision members have been working on since the 1990s beginning with the ASEAN Free Trade Area and ASEAN Vision 2020. Cooperation on connectivity has evolved from the earliest versions with focus shifting from tariffs and non-tariff barriers (NTBs) to trade facilitation and the broader ASEAN Economic Community, and now expanding to social, cultural, political, and security cooperation.

Regional cooperation on connectivity culminated with the Master Plan on ASEAN Connectivity. Launched in 2010, creating the Master Plan took about one year from concept to adoption. ASEAN worked with external partners — namely, ADB, World Bank, and Economic Research Institute for ASEAN and East Asia (ERIA) — to produce the Master Plan. A first draft was produced in May 2010, followed by discussion and negotiation, and finally the Master Plan which ASEAN Leaders adopted in October 2010. Consultation was mostly done at the economy level. The progress of implementing the Master Plan is monitored on a scorecard basis, which focuses on compliance, key actions taken, and issues faced.

The Master Plan on ASEAN Connectivity has three components — physical, institutional, and people-to-people — each with their own set of initiatives. There is currently a large gap in physical infrastructure funding needs, particularly among developing economies in the region (Table 1). However, private sector participation in infrastructure finance is increasing, which presents good opportunities for continued expansion and growth. There is also a need for higher quality of infrastructure in roads, rail, maritime transport, and ports, while energy connectivity needs upgrading. One way to mobilise resources is through the development of framework principles on public-private partnership (PPP). ASEAN is working with the World Bank on forming a pipeline of commercially viable PPP projects and with ADB to identify projects that can be funded through the ASEAN Infrastructure Fund.

Table 1: Infrastructure Investment Needs as % of GDP, 2010-2020

| | Transport | Electricity | ICT | Water and Sanitation | Total |
|-------------|-----------|-------------|-----|----------------------|-------|
| Cambodia | 4.4 | 1.0 | 3.0 | 0.4 | 8.7 |
| Indonesia | 3.9 | 1.0 | 1.0 | 0.4 | 6.2 |
| Lao PDR | 10.6 | 0.0 | 2.4 | 0.6 | 13.6 |
| Malaysia | 1.9 | 4.4 | 0.3 | 0.0 | 6.7 |
| Myanmar | 2.7 | 0.0 | 1.5 | 1.9 | 6.0 |
| Philippines | 2.3 | 1.9 | 1.2 | 0.7 | 6.0 |
| Thailand | 0.6 | 3.7 | 0.5 | 0.2 | 4.9 |
| Viet Nam | 2.1 | 3.1 | 2.4 | 0.5 | 8.1 |

Source: Bhattacharyay 2012¹.

On institutional connectivity, cross-border trade in ASEAN can be made more efficient by eliminating NTBs. While the cost of trading is lower in ASEAN compared to other regions, ASEAN members still require more documents in the trading process than the global average, offering further avenues to facilitate trade. Harmonisation of policies and laws through regulatory reform is also needed to attract investments and encourage trade.

¹ Bhattacharyay, Biswa. 2012. “Estimating demand for infrastructure, 2010-2010”. In B. Bhattacharyay, M. Kawai and R. Nag (eds). *Infrastructure for Asian Connectivity*. Edward Elgar Publishing Ltd.: Cheltenham, UK

On people-to-people connectivity, ASEAN has implemented progressive visa liberalisation for ASEAN citizens to travel within the region. Discussions are ongoing on having a common visa for non-ASEAN citizens. An ASEAN curriculum sourcebook has also been developed to provide cultural and economic education about ASEAN among primary and secondary students, while an ASEAN Virtual Learning Resource Centre has been established to provide information on people, culture, history, and the economy of ASEAN members. Encouraging tourism and people mobility is important for people-to-people connectivity.

A key challenge in implementing the Master Plan is ensuring cross-sector coordination. It will be difficult to ensure that all sectors are acting together towards the same goal, with more than 30 sectors needing to cooperate to implement initiatives. It is also a challenge to implement initiatives from regional to economy levels, as there are many layers of implementation from sub-regional fora to economy-level and even local-level implementation. Achieving ASEAN's goals requires reaching out to people, ensuring their buy-in and cooperation through initiatives such as the dissemination of information materials and videos which relate connectivity initiatives to their day-to-day lives.

Session 2.2 - Yushu Feng, Principal Economist (Regional Cooperation), Asian Development Bank

The Cross-Border Transport Facilitation Agreement (CBTA), a pioneering initiative launched by the Asian Development Bank (ADB) in the late 1990s, aims to foster greater economic connectivity through transport and trade facilitation at Greater Mekong Sub-region (GMS) border crossings in Cambodia, China, Lao PDR, Myanmar, Thailand and Viet Nam. The CBTA focuses on institutional connectivity to complement physical connectivity investments by, for example, allowing trucks, drivers, and goods to go through any GMS economy; promoting bilateral truck permits and mutual recognition of drivers' licenses; and facilitating the creation of harmonious lists of dangerous and perishable goods. CBTA improves on the previous practice of off-loading and reloading goods at the border, reducing shipment time and cost, while also shortening clearance time at the border through single window inspection, single stop inspection, and risk management. CBTA initiatives are implemented through pilot projects at border crossings prior to ratification by all member economies to determine each member's implementation capacity and areas where additional cooperative activities will be required. After ratification, the initiative is expanded to maximise benefits.

ADB's regional cooperation framework provided a good enabling environment for CBTA. In ADB's experience in promoting connectivity in the GMS, software (i.e., agreements and institutional arrangements) poses more challenges than hardware (i.e., physical infrastructure) since policymakers will need to negotiate and agree before implementation can begin.

Session 2.3 - Sam Gerovich, First Assistant Secretary, Trade and Economic Policy Division, Department of Foreign Affairs and Trade, Australia

Connectivity is an implicit theme in much of what the G20 does. As the current G20 host, Australia has set boosting growth and strengthening economic resilience as the overarching goals for the G20 this year, and members have committed to take practical actions that will boost G20 economies' collective economic growth by at least 2% above current trajectories over the next five years. Measures that increase connectivity and integration between G20

members and the global economy will help achieve the G20's growth ambitions. The World Bank estimates that 13 of the fastest growing economies of the last 60 years grew through policies that boosted integration with the global economy.

In the G20, efforts to increase integration and connectivity are focused on boosting trade flows and cross-border investment. On trade, G20 economies will, as part of their individual growth strategies, undertake individual domestic reforms to make it easier for business to participate in the global economy and access global value chains. This could include liberalising services; streamlining customs procedures; more efficient regulation; investing in trade infrastructure; skills development to support growth; and reducing tariffs. Australia supports early implementation of the WTO Agreement on Trade Facilitation and, as G20 president, is also asking G20 members to consider actions to roll back protectionist measures that have been introduced since the global financial crisis.

G20 economies' growth strategies will include actions to make them more attractive to potential investors, including overseas investors. The G20, through the Investment Infrastructure Working Group, is also looking at ways to facilitate the flow of global savings pools to productive investments. The G20's Development Working Group is looking at how these approaches can be applied to attract greater investment to developing economies. An emerging theme is that a lack of technical capacity for project prioritisation, planning and preparation can hinder infrastructure projects in developing economies. Case studies in the Philippines and Viet Nam are helping to identify good practices that developing economies can adopt in infrastructure project preparation.

Session 2.4 - John Larkin, Chair, Committee on Trade and Investment

The Committee on Trade and Investment (CTI)'s main contribution to connectivity falls under four key themes: Trade Facilitation, Investment Facilitation, Mobility of Business Persons, and Regulatory Cooperation and Convergence.

In Trade Facilitation, the CTI's major work is the Supply Chain Connectivity Framework Action Plan and related systematic approaches to improving supply chain performance. Under the plan, economies have identified eight chokepoints that hinder efficient supply chain functioning². To address these issues, economies have been carrying out project and capacity-building activities. The goal is to achieve a 10% improvement in supply chain performance in terms of time, cost, and uncertainty by 2015. Additionally, the APEC Supply Chain Connectivity Sub-Fund will undertake targeted capacity building initiatives such as pre-arrival processing and expedited shipments, which will also support the implementation of the WTO Agreement on Trade Facilitation. A new group is also being created, the APEC Alliance for Supply Chain Connectivity, which will bring together private sector representatives and academic experts to help guide capacity building initiatives undertaken

² The eight chokepoints are: (1) Lack of transparency/awareness of full scope of regulatory issues affecting logistics and lack of awareness and coordination among government agencies on policies affecting logistics sector; (2) Inefficient or inadequate transport infrastructure and lack of cross-border physical linkages (e.g. roads, bridges); (3) Lack of capacity of local/regional logistics sub-providers; (4) Inefficient clearance of goods at the border and lack of coordination among border agencies, especially related to clearance of regulated goods at the border; (5) Burdensome procedures for customs documentation and other procedures (including for preferential trade); (6) Underdeveloped multi-modal transport capabilities and inefficient air, land, and multimodal connectivity; (7) Variations in cross-border standards and regulations for movements of goods, services, and business travelers; and (8) Lack of regional cross-border customs-transit arrangements.

via the Sub-Fund. Other trade facilitation achievements include Single Window systems in 14 APEC economies, Advanced Ruling procedures in 19 economies, and work towards Paperless Trading Systems by 2020. Other work streams include capacity building for Authorised Economic Operators which could eventually form the basis for Mutual Recognition Agreements.

Investment Facilitation activities fall primarily under the purview of the Investment Experts' Group. Their main programme is the Investment Facilitation Action Plan (IFAP), which aims to improve the investment climate and maximise the efficiency and effectiveness of investment administration in the region. Projects are carried out under the IFAP to address issues relating to transparency, simplicity, predictability, security, stability, policy review, and stakeholder relations.

Business Mobility activity relates primarily to the APEC Business Travel Card, one of APEC's most well-known initiatives. This card allows for visa-free travel and express lane transit at airports for accredited business persons, thereby facilitating people-to-people connectivity. Nineteen economies are full members of the scheme and two are transitional members. Future work includes discussions to extend the card's validity from three to five years and an end-to-end process review this year, which will explore how to expedite processing times and possibilities for moving toward online application systems.

The work of the CTI and its sub-fora on Regulatory Cooperation and Convergence seeks to reduce transaction costs for businesses and allows regulators to better understand the rules and procedures put in place by other economies. Current work streams include cross-border privacy enforcement arrangements, which aim to balance the free flow of data across borders with privacy laws. The CTI is also working toward greater intellectual property protection in the APEC region. Other work includes promoting the alignment of domestic standards with international standards and achieving greater convergence and harmonisation in the regulation of medical devices, chemicals, food, and automobiles, allowing for increased trade in these areas. The CTI is also looking at ways that new regulatory frameworks can best facilitate trade and avoid non-tariff barriers. This includes current work on electric vehicle standards.

Session 2.5 - Rory McLeod, Chair, Economic Committee

The Economic Committee (EC) is a forum composed of five Friends of the Chair groups and the Competition Policy and Law Group whose work focuses on regulatory and structural reform, processes which are central to connectivity. International cooperation can help refine domestic systems to adopt international best practices and provide businesses with familiar and convenient systems across economies. In this regard, structural reform has much to offer each of the three pillars of connectivity.

Barriers to trade and investment are important to keep in mind when considering connectivity. Such barriers include differing levels of institutional capacity, ineffective regulatory frameworks, and inconsistent standards across economies. These issues need to be addressed early in the process, lest implementing a seamlessly connected APEC region will quickly become prohibitively expensive. Notwithstanding, connectivity can be achieved even if barriers remain in place, but they will create additional cost to business operations and reduce the benefits economies can reap from connectivity.

The benefits of connectivity are manifold and mutually beneficial. Progress on institutional connectivity enhances physical connectivity, for example, as seen through the PSU study on *Impacts and Benefits of Structural Reform in Transport, Energy and Telecommunications Sectors*³. Fully opening the domestic financial sector to international investors allows for up to 1.5% faster domestic growth rates as access to capital is increased and interest rates are reduced. Reforms could lead to average productivity improvements of 2% to 14% across different infrastructure sectors, further helping to reduce costs and increase trade. The benefits of structural reforms – which can be undertaken unilaterally – are nearly twice the size of lengthy multilateral trade reforms.

The EC has already undertaken many projects that could fall under connectivity, including the APEC New Strategy for Structural Reform; the APEC-OECD web portal for good regulatory practice; and the APEC Ease of Doing Business initiative which is imperative if, for example, an economy would like to invest in infrastructure investment in an efficient way.

Competition should be at the heart of structural reform, while enhancing productivity allows future growth streams to develop through innovation. When growth moves from efficiency enhancement to real innovation, the potential growth rates are much higher. To unlock these higher growth rates, key reforms need to be taken at the domestic level instead of waiting for a grand intergovernmental agreement.

Session 2.6 - Lu Xia, Deputy Director, International Economic Relations Division, Ministry of Finance, China

The APEC Finance Minister's Process (FMP) provides support to connectivity primarily from the perspective of financing and investment in infrastructure, which relates to both physical and institutional connectivity. The FMP's commitment to infrastructure finance dates back to the group's first meeting in 1994 and has evolved into the current APEC Multi-Year Plan on Infrastructure Development and Investment (MYPIDI) launched in 2013, among which Workstream 3 (Developing government capacity to identify and generate a pipeline of bankable infrastructure projects) and Workstream 4 (Improving financing and funding environment to encourage long-term investors) are most relevant with the work of the FMP⁴.

As the chair of APEC FMP this year, the Ministry of Finance of China has attached great importance to infrastructure development. Cooperation on infrastructure financing and investment has been selected as a priority topic for APEC FMP 2014. China plans to showcase successful infrastructure PPP projects from member economies to promote experience sharing, strengthen capacity building of PPP centres and their networking, and encourage interested economies to set up their own PPP centres. A series of official meetings and seminars have been scheduled throughout this year with most events discussing

³ This study, which was published by PSU in January 2011, can be accessed at http://publications.apec.org/publication-detail.php?pub_id=1113.

⁴ MYPIDI's Workstream 1 focuses on fostering a business-friendly environment for infrastructure development and investment, through a solid regulatory framework, that minimizes uncertainty and maximizes transparency and predictability. Workstream 2 deals with the development and refinement of an integrated planning system mechanism.

infrastructure, including the 1st PPP Panel Meeting in Bo'ao held in February 2014 and the 2nd PPP Panel Meeting possibly later this year, as well as two seminars on the Public Sector's Role in PPP and Mobilizing Long-Term and Stable Financing into Infrastructure Development. Meanwhile, China is actively promoting PPP domestically. This work is an integral part of APEC's overall agenda on infrastructure development and connectivity.

As the connectivity work under the FMP is ongoing, it is hoped that the drafting of the Blueprint remains as an open process to incorporate inputs from the FMP at a later stage. The FMP would like to work closely with relevant parties to complete the Blueprint and make it a deliverable to the leaders' meeting this year.

Session 2.7 - Mika Takahashi, APEC Business Advisory Council

The APEC Business Advisory Council (ABAC) has a deep and longstanding interest in connectivity throughout the Asia Pacific region. Following consultation with business leaders, ABAC has made these recommendations for each of the three pillars of connectivity:

- Physical connectivity would benefit from new initiatives under quality transportation, disaster resilience, and telecommunications and ICT infrastructure.
- Institutional connectivity should focus on customs facilitation, supply chain improvements, access to finance, and regulatory coherence and cooperation.
- People-to-people connectivity should highlight business mobility to ease regional travel.

In the previous year, ABAC has launched three major initiatives which focused on enhancing APEC connectivity:

- The Asia Pacific Infrastructure Partnership (APIP), which brings together 90 experts in infrastructure investment and finance to help individual economies with their infrastructure finance, specifically the creation of PPP centres and an Expert Advisory Panel.
- Development of the Infrastructure Enablers Checklist as a self-assessment tool for economies to determine if their PPP capabilities match international best practice as well as enhance coordination across domestic agencies.
- Efforts on supply chain connectivity with a focus on global data standards.

These efforts, coupled with new initiatives for 2014 — such as resilient ICT infrastructure, enhanced quality transportation networks, and initiating the APEC Workers Travel Card — could help APEC improve their regional economic integration while enhancing the business climate.

ABAC would like to see four elements built into the Connectivity Blueprint. First, the Blueprint should address the issue of bankability and ensure that it is meaningful for business and consumers; coordination and implementation is critical. Second, the Blueprint must promote innovation and resilience in supply chains via both hard and soft infrastructure. Third, the Blueprint should be tangible and precise enough to be monitored by the marketplace. Finally, connecting the poorly-connected portions of APEC economies should be a priority to boost growth in these regions and deepen economic integration.

SESSION III: CAPACITY BUILDING FOR BETTER CONNECTIVITY

Capacity building is an integral part of implementing connectivity initiatives, as simply building the infrastructure and institutions will not be enough. These infrastructure and institutions will be run by people, so capacity building is just as important as the actual building. Insights on capacity building from the SOM Steering Committee on ECOTECH (SCE), ADB Institute, and the Indonesian National Committee for Pacific Economic Cooperation Council were heard and discussed during this session.

A key message from this session is that capacity building cannot be done in a vacuum. It needs to be conducted in close partnership with stakeholders, government agencies, and regional partners. With regard to public-private partnerships, capacity building needs to bridge the views of the public and private sectors regarding the modality. While the public sector may view PPP as a potential funding source for infrastructure based on social need, the private sector is more concerned with financial viability and feasibility issues affecting their bottom-line. Capacity building is thus needed to provide the capability to identify, design, and develop “bankable” infrastructure projects that can meet the needs of both the public and private sectors.

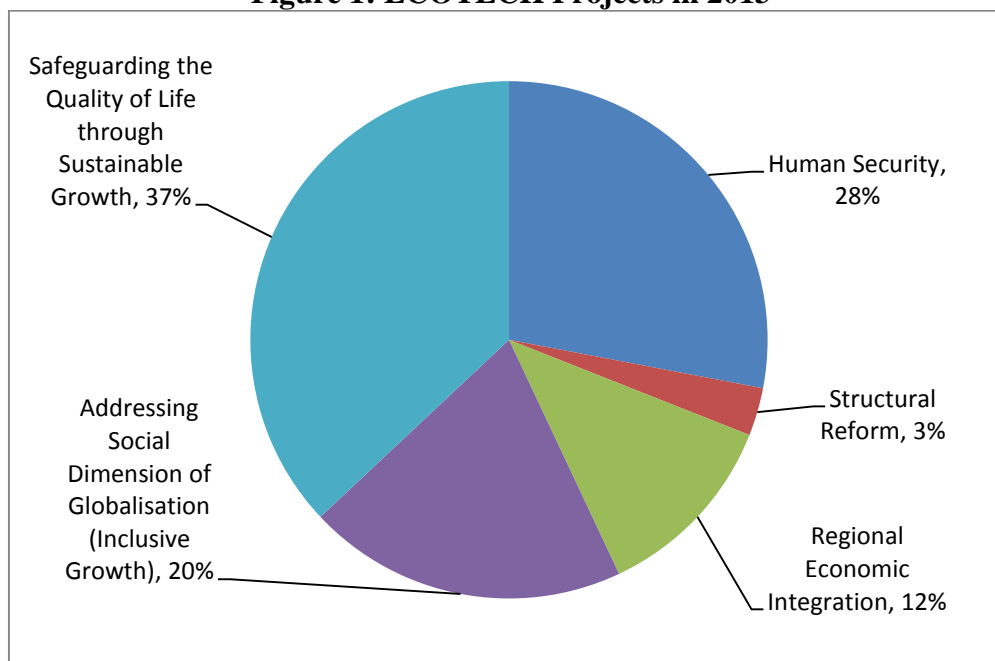
Session 3.1 - Laura Del Rosario, Chair, SOM Steering Committee on Economic and Technical Cooperation (ECOTECH)

The SOM Steering Committee on ECOTECH (SCE), which is composed of all APEC Senior Officials, aims to enhance sustainable growth, inclusive growth, overall well-being and human security (including counter-terrorism and health), and community in the Asia-Pacific region. ECOTECH’s medium-term priorities cover many aspects of institutional connectivity such as regional integration and structural reform.

The SCE provides overall guidance and direction for capacity building activities, while working groups prepare multi-year strategic plans, annual work plans, and proposed capacity building projects and initiatives. Based on the working groups’ recommendations, SCE ranks and prioritises capacity building activities in view of the limited funding available in APEC. Due to the limited funding, a broader definition of capacity building could be adopted by members. Knowledge dissemination activities such as meetings and seminars can be considered capacity building due to the knowledge sharing opportunities they provide.

Based on a recent count, 84 ECOTECH capacity building projects were funded by APEC in 2013 (Figure 1). Of these projects, 15% were related to connectivity covering areas on regional economic integration and structural reform. Capacity building on PPP is an example where SCE work moves away from its traditional area of institutional connectivity into cross-cutting issues, in this case on physical connectivity initiatives. For example, members have expressed a desire to better understand the challenges in implementing PPP, such as the Philippines’ experiences in various modalities from build-operate-transfer schemes. Capacity building also needs to look into institutional regulatory reform within economies. In the Philippines’ case, a challenge will be the lack of institutional coherence within the economy such that ease of doing business can vary at the local level. There is a need to take a holistic approach to capacity building. It should not just cover institutional or physical aspects, but also cover other broader aspects that can affect connectivity such as counter-terrorism and illegal logging.

Figure 1: ECOTECH Projects in 2013



Source: SOM Steering Committee on ECOTECH.

Session 3.2 - Yuqing Xing, Director, Capacity Building and Training Department, ADB Institute

Capacity building in the Asian Development Bank Institute (ADBI) promotes effective development planning and management among senior and mid-level officials, and is done through policy dialogues (for high-level officials) and course-based training and e-learning (for mid-level officials) in collaboration with regional and international organisations as well as government agencies.

Public-private partnership (PPP) is an important modality for building infrastructure, and capacity building is needed for designing, implementing and managing PPP. However, there is a gap in how public and private sectors view PPP: the public sector views it as a means for raising funds for infrastructure and are not concerned about feasibility and viability issues, whereas feasibility and viability issues are the most important considerations for the private sector. There is thus a need to understand the constraints to private capital support for infrastructure projects, as well as the process of attracting private funds by developing “bankable” projects.

On institutional matters, currently there may be too much emphasis on legal and institutional frameworks for PPP which can quickly become too complicated and discourage economies or investors from entering PPP projects. There is a need to focus on institutional and regulatory issues on a case-by-case basis rather than to be bogged down by institutional details. No economy has perfect institutions, but it is still possible to successfully design and implement PPP projects even in imperfect settings.

Hence, there is a need to develop the capabilities of public servants to design, implement, and manage PPP. A key objective of capacity building is to ensure that parties are equipped with

the required skills and expertise to undertake successful PPP projects. This begins with the identification of required skills in designing a PPP process and building sector diagnostics to identify potential projects — how to find and identify “bankable” projects that the private sector can buy into. PPP is about deregulation, efficiency, and risk-sharing with the private sector, so there is a need to know how to find appropriate partners. There is also a need to equip public sector institutions with adequate skills to manage PPP. One way could be to form a PPP unit, but this may not be applicable for all economies due to domestic administrative structures or other constraints. In the future, the public sector may also need to provide “consulting” services for private sector partners to help them with the peculiarities of the PPP modality in their particular economy.

Developing a good capacity building programme requires: (1) careful design and a coherent programme, (2) careful selection of the resource speakers, and (3) ensuring that participants are those who will be involved in PPP implementation. Providing case studies for PPPs has been very useful for capacity building. However, case studies should not be limited to the experiences of developed economies; experiences of developing economies could be included as well. Additionally, a challenge in developing capacity building programmes is the wide variation in background and understanding of the participants.

There is also a need to develop the PPP market by maintaining strong dialogue with all players, providing the private sector with accurate information, and holding regular seminars between private and public partners. Likewise, cooperation between various stakeholders needs to be enhanced through strengthening networks among government officials, the private sector, and international organisations to support PPP. Who pays for capacity building work also needs to be sorted out, as well as the roles of the private sector in capacity building.

Session 3.3 - Djisman Simandjuntak, Chair, Indonesian National Committee for Pacific Economic Cooperation

Connectivity is a broad area covering physical, institutional, and people-to-people connectivity. However, there is also a need to add human-to-nature connectivity to the discussions. More attention should be given to impacts on the environment, such as pollution and greenhouse gas emissions, which can affect other aspects of connectivity. Another important aspect that affects connectivity is technology, which is increasingly divisible in production (i.e., production sites can be spread out across the globe) but indivisible in consumption (i.e., many functions are integrated into a single device or process). This has implications on how production and distribution networks are organised and operated around the globe, which makes connectivity even more important.

APEC is doing well on connectivity measures, but there is a large gap between developed and developing economies. For example, logistics cost is 27% of GDP in Indonesia but only 9% in the United States. This indicates not only an infrastructure and funding gap but a skills gap. Hyper-connectivity — brought about by advancements in information and communication technology — is another aspect that will need to be addressed as the gap between developed and developing economies will likely be widened by the digital divide. Capacity building is thus important because it can close the gap between developed and developing economies through the diffusion and acquisition of best practices. However, capacity building need not be based on the old model of North-to-South diffusion. The diversity of economies in APEC — comprising both developed and developing economies — should be utilised to learn from

all member economies. It should also be recognised that the gap between developed and developing economies in APEC presents opportunities that enable the development of production networks in the region. There is thus a need to look at capacity building as an instrument of inclusion that can bring together developed and developing economies.

It will be very difficult to develop a blueprint that will be applicable to and agreed by all APEC economies. A suggestion for APEC to consider would be to develop a blueprint for a smaller group of economies within APEC that are ready to implement initiatives. Other economies can then join in when they are ready to do so. The Connectivity Blueprint should also be cognizant of the targets related to capacity building. While APEC is fairly advanced in setting targets for liberalisation, there is not much development in setting targets for capacity building.

SESSION IV: SETTING TARGETS, REVIEW AND TIMEFRAME: LEARNING FROM EXPERIENCES

Implementing a robust monitoring and evaluation framework will be an integral part of the APEC Connectivity Blueprint. APEC Leaders have requested the Blueprint to be “based on agreed benchmarks or targets” and to “establish a timeframe for regular review of our achievements.” To better understand the latest trends in monitoring and evaluation practice and learn from the experiences of other international organizations undertaking similar exercises, APEC welcomed three speakers from Economic Research Institute for ASEAN and East Asia (ERIA), the World Bank, and the Organisation for Economic Co-operation and Development (OECD).

A key takeaway from this session is that monitoring and evaluation should be a logical process that begins with known inputs creating measurable outputs. Both quantitative and qualitative outcome indicators can be used to measure progress, and the choice of indicator should be driven by the desired outcome. Formulating measurable and achievable targets is needed to maintain the accountability and urgency needed for sustained activity and progress.

Session 4.1 - Fukunari Kimura, Chief Economist, Economic Research Institute for ASEAN and East Asia

ASEAN started focusing efforts on connectivity in 2007 when preliminary discussions were held during the drafting of the ASEAN Economic Community (AEC) Blueprint⁵. Efforts were pushed on by the belief that connectivity is a good tool to bridge development gaps which would help spur progress. ASEAN officials hold roughly 1,400 intergovernmental meetings each year and have committed to implement structural reform agendas that have resulted in real, measurable outcomes such as the Single Window trading systems, tariff reductions for members, and consistent rules of origin requirements.

⁵ The AEC Blueprint is an agreement between ASEAN states to work toward creating an ASEAN Economic Community by 2015 in order to transform ASEAN into a single market and production base, a highly competitive economic region, a region of equitable economic development, and a region fully integrated into the global economy. In order to better accomplish the goals set out in the AEC Blueprint, ASEAN members agreed to the ASEAN Master Plan on Connectivity in 2010 with specific projects to fully implement the AEC Blueprint by the 2015 deadline.

In 2011, ERIA was tasked to carry out a Mid-Term Review of the AEC Blueprint. The large-scale Mid-Term Review, which required more than 100 staff creating a 4,000 page document, included scorecards for each subsector of the detailed blueprint as well as scores for each individual ASEAN member. Scores were derived according to a tiered ranking system based on the manner in which industries structured their international division of labour and the efficacy of implementing line items agreed in the AEC Blueprint.

Prof. Kimura illustrated monitoring and evaluation (M&E) through five layers of evaluation:

1. Level of Commitment – Determine how much progress was made.
2. Bureaucratic Checklist – Survey ASEAN members asking if a particular line item project has been completed.
3. External Monitoring of Policy Change/Implementation – Conduct a review of each member's progress toward goals by an external reviewer such as ERIA.
4. Actual Changes/Progress/Improvements – Quantitative or qualitative assessments of whether or not a particular project has resulted in positive outcomes.
5. Economic Outcomes – Assessments to determine the economic impact of projects.

ASEAN started with the first two layers of evaluation for the AEC Blueprint, with the other three following in subsequent evaluations. Gaining the necessary political agreements to implement the enhanced M&E framework proved difficult, however. ASEAN members agreed to make the M&E reports for internal use only so as not to publicly single out those members lagging behind in their implementation. Additionally, they used an “ASEAN minus X” approach which allowed members additional time to meet targets, occasionally by blurring what was previously agreed as a binding commitment. ASEAN members understood the importance of maintaining momentum and that stalled progress will discourage members from putting more resources into a particular area. Hence, adopting a flexible approach to M&E is preferable to help work continue and set the stage for future actions.

Session 4.2 - Binyam Reja, Country Sector Coordinator and Lead Transportation Specialist, East Asia and Pacific Region, World Bank

The World Bank has teamed up with ASEAN to create a formalised system to monitor the implementation of the Master Plan on ASEAN Connectivity. Mr Reja stressed that M&E activities should be thought of as a logical hierarchy. The first stage is to create a framework that begins with the necessary inputs which then lead to the desired outputs, followed by measuring their economic impact.

In the current ASEAN context, the primary tool for M&E activities is the Connectivity Implementation Scorecard which tracks progress of key actions implemented under the Master Plan on ASEAN Connectivity. This document represents a good start in evaluating which specific projects have been undertaken, though it falls short of higher level M&E analysis.

The World Bank and ASEAN are collaborating to improve the scorecard by making it more comprehensive and allowing for a more detailed assessment to be undertaken. First, the existing scorecard will be assessed to determine the current state of M&E. Next, the World Bank will develop a series of qualitative and quantitative outcome indicators to measure what impact the projects have had. Third, a capacity building programme will be implemented to

improve the quality of feedback received under the improved scorecard and to enhance efforts in areas where progress had previously been lagging. As this process unfolds, successes and challenges have been seen. A qualitative assessment of each pillar has been conducted to determine if the scorecard is robust and to ascertain the desired facts, though this assessment is not sufficient to understand how pillar-specific output correlates with targeted levels.

An ideal outcome for M&E efforts would be to develop a series of composite indicators under each pillar that could aggregate many aspects and goals into a single quantitative figure, although it should be noted that it may not be possible to quantify all potential outcomes. This composite could then be easily compared and assessed by policymakers to determine if implementation efforts have achieved the desired outcomes. Challenges to developing these indicators include requiring strong institutional capacity to collect data on a timely basis, convincing members to share their potentially sensitive data with other members, and convincing local governments to share their data with central administrations.

Creating proper composite indicators raises the central question of targeting and goal setting: How to set targets that are challenging and sufficiently progressive yet remain feasible within the bounds of funding and capacity? A suggestion was to develop a robust monitoring checklist from the outset as well as a higher level goal towards which future efforts can be directed. Additionally, knowing what needs to be measured and achieved will not ultimately create the desired level of success unless there is a supervising structure in place accountable for reaching those desired outcomes. Achieving targets will be difficult without an accountable management structure to drive implementation and improvement efforts.

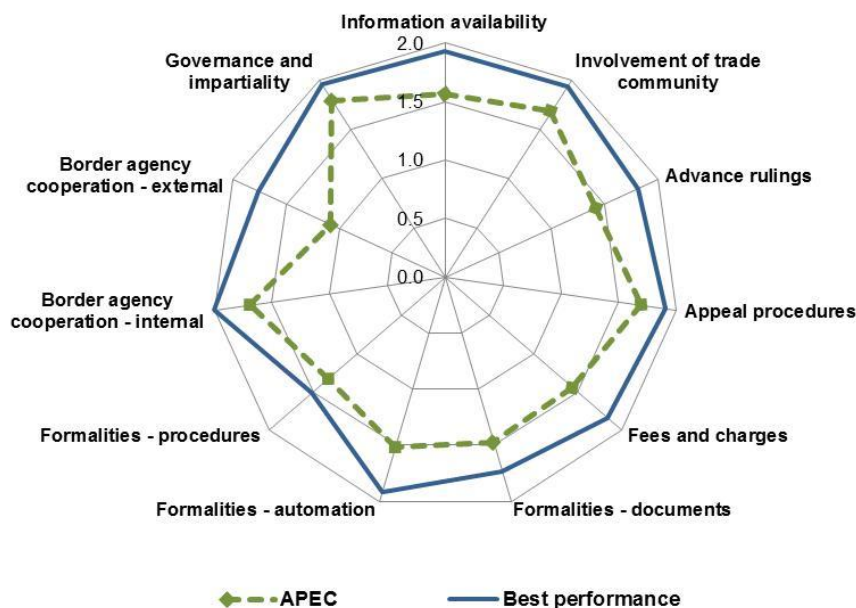
Session 4.3 - Trudy Witbreuk, Head, Development Division, OECD Trade and Agriculture Directorate

The OECD, in collaboration with the World Trade Organization (WTO), has created a new tool – the Trade Facilitation Indicators (TFI)⁶ – that can measure both global and economy-specific outcomes of implementing the new WTO trade facilitation programme. TFIs cover 133 member economies of the WTO at different stages of development, examining the full spectrum of border procedures from advanced rulings to transit guarantees, with extensive data collection coming from customs agencies, publicly available databases, and collaboration with Permanent WTO Delegations.

The TFIs allow policymakers to quantify the benefits of implementing trade facilitation measures either fully or in part, broken down into outcomes for economies at differing levels of income. With this information, they can see what benefits their efforts would have on their economy and on their region as a whole, while also highlighting some of the costs and challenges along the way. For example, an analysis of the TFIs in APEC shows that the region as a whole still has some way to go towards best practices in facilitating trade, particularly in promoting border agency cooperation (Figure 2). Many economies would still need assistance to implement difficult reforms, noting that regulatory reforms are the most difficult to implement as sustaining high-level political commitments to unilateral trade policy reforms requires considerable effort, planning, and resilience.

⁶ Information on OECD's Trade Facilitation Indicators can be found at <http://www.oecd.org/trade/facilitation/indicators.htm>.

Figure 2: APEC’s Performance in OECD’s Trade Facilitation Indicators



Source: Trade Facilitation Indicators data and OECD staff estimates.

In the context of APEC Connectivity, several ongoing and potential OECD initiatives could add value. First, the border agency sub-indicator of the TFI could be useful for institutional connectivity, especially in trade facilitation. Second, the Service Trade Restrictiveness Index (STRI)⁷ can help to identify which policy measures restrict trade in services so that these areas can be identified and reversed, thereby helping economies enter higher-value global value chains and boost competitiveness. OECD is also looking at which drivers best help an economy successfully integrate into global and regional value chains, as well as examining international regulatory agreement and cooperation in an effort to have internationally relevant regulations be implemented from the outset instead of fixing poorly constructed regulations after they have already come into force.

⁷ The Services Trade Restrictiveness Index data is available at <http://stats.oecd.org/Index.aspx?DataSetCode=STRI>.

ANNEX: BACKGROUND AND PROGRAMME FOR THE SYMPOSIUM

**Symposium on APEC Connectivity Blueprint
12 May 2014
Shangri-La Hotel, Qingdao, China
(China Hall 2, Conference Room 5 Level 2, Valley Wing)**

Background Note and Programme

Introduction

In the 2013 Leaders' Declaration, APEC Leaders articulated their aspiration to achieve a seamlessly and comprehensively connected and integrated Asia Pacific. To achieve this aspiration, it would be necessary to realise:

- Physical connectivity that improves supply chain performance, connects and integrates logistics, transport, energy, and telecommunication infrastructure in the APEC region.
- Institutional connectivity that advances regulatory and procedural cooperation and coherence among our economies.
- People-to-people connectivity that enhances interaction, mobility and joint endeavours.

To achieve the above goals, Leaders have outlined the following tasks for 2014:

1. To develop a blueprint based on agreed benchmarks or target, detailing areas for multi-year cooperation and activities towards a seamlessly and comprehensively connected and integrated Asia Pacific, and to establish a timeframe for regular reviews of our achievements.
2. To identify economies' individual or joint initiatives to implement the blueprint, which enhance connectivity in the region and may benefit from economic and technical cooperation.
3. To mainstream the Framework on Connectivity into the strategic and long term planning of APEC fora.

This Symposium is a first step towards developing the APEC Connectivity Blueprint, and is organised at the margins of SOM2 in May 2014 in Qingdao, China.

Main Objectives

- To gather inputs for developing the APEC Connectivity Blueprint to be submitted to the 22nd APEC Economic Leaders' Meeting in China.
- To discuss key initiatives for the blueprint.
- To discuss strategy on capacity building activities (including Economic and Technical Cooperation) to support implementation of the APEC Connectivity agenda.
- To discuss strategy for stronger collaboration and engagement with the private sector such as the APEC Business Advisory Council (ABAC) and other regional forums.
- To discuss targets, baseline/benchmarking, and establishing a timeframe for regular review

- To discuss the periodical review mechanism to mainstream the APEC Connectivity Blueprint into the strategic and long term planning of APEC fora.

Participants

- APEC Senior Officials
- APEC committees and fora whose activities are related to the APEC Connectivity Framework
- Regional and international multilateral organizations with similar connectivity agenda
- Private and business sector (ABAC)

Programme

| Time | Topics |
|---------------|--|
| 09.00 - 09.30 | <p>Session 1: Background and Objectives of the APEC Connectivity Blueprint <i>This session will discuss the background and objectives of the APEC Connectivity Blueprint as well as the goals of the symposium.</i></p> <ul style="list-style-type: none"> • Mr Tan Jian, Chair of SOM-Friends of the Chair on Connectivity and China's APEC Senior Official • Dr Denis Hew, Director, APEC Policy Support Unit |
| 09.30 – 10.30 | <p>Session 2: Key Initiatives for Enhanced Connectivity in the Asia Pacific <i>This session will discuss connectivity initiatives of regional and international organizations. The focus should be on how these initiatives are being implemented as well as the challenges and opportunities.</i></p> <p>Moderator: Dr Denis Hew, Director, APEC Policy Support Unit</p> <ul style="list-style-type: none"> • Mr Lim Chze Cheen, Assistant Director, Connectivity Division, Office of Secretary-General of ASEAN, ASEAN Secretariat (presentation) • Dr Yushu Feng, Principal Economist (Regional Cooperation), Asian Development Bank (presentation) • Mr Sam Gerovich, First Assistant Secretary, Trade and Economic Policy Division, Department of Foreign Affairs and Trade, Australia <p>Discussant: Dr Ben Shepherd, Principal, Developing Trade Consultants</p> |
| | Coffee break |
| 10.45 – 12.15 | <p>Session 2: Key Initiatives for Enhanced Connectivity in the Asia Pacific (cont'd)</p> <p>Moderator: Dr Denis Hew, Director, APEC Policy Support Unit</p> <ul style="list-style-type: none"> • Mr John Larkin, Chair of APEC Committee on Trade & Investment and Assistant Secretary of APEC Branch, Department of Foreign Affairs and Trade, Australia (presentation) |

| Time | Topics |
|---------------------|--|
| | <ul style="list-style-type: none"> • Mr Rory McLeod, Chair of APEC Economic Committee and Director of Commercial & Consumer Branch, Ministry of Business Innovation and Employment, New Zealand (presentation) • Ms Lu Xia, Deputy Director, International Economic Relations Division, Ministry of Finance, China (presentation) • Ms Mika Takahashi, APEC Business Advisory Council (presentation) <p>Discussant: Dr Ben Shepherd, Principal, Developing Trade Consultants</p> |
| Lunch break | |
| 14.00 – 15.00 | <p>Session 3: Capacity Building for Better Connectivity <i>This session will discuss the capacity building aspect of connectivity, how to build capacity to design and implement a better PPP framework, etc.</i></p> <p>Moderator: Dr Ben Shepherd, Principal, Developing Trade Consultants</p> <ul style="list-style-type: none"> • Ambassador Laura del Rosario, Chair of APEC SOM Steering Committee on ECOTECH and Department of Foreign Affairs, Philippines (presentation) • Dr Yuqing Xing, Director, Capacity Building and Training Department, Asian Development Bank Institute (presentation) • Dr Djisman Simandjuntak, Chair, Indonesian National Committee for Pacific Economic Cooperation (presentation) <p>Discussant: Dr Denis Hew, Director, APEC Policy Support Unit</p> |
| Coffee break | |
| 15.15 - 16.15 | <p>Session 4: Setting Targets, Review and Timeframe: Learning from Experiences <i>This session will discuss the process of target setting for existing initiatives. Focus should be on KPIs, mechanism to measure progress, time frame, review mechanism etc.</i></p> <p>Moderator: Dr Ben Shepherd, Principal, Developing Trade Consultants</p> <ul style="list-style-type: none"> • Dr Fukunari Kimura, Economic Research Institute for ASEAN and East Asia (presentation) • Mr Binyam Reja, Country Sector Coordinator, Lead Transport Specialist, China and Mongolia Sustainable Development Unit, East Asia and Pacific Region, The World Bank (presentation) • Ms Trudy Witbreuk, Head, Development Division, OECD Trade and Agriculture Directorate (presentation) <p>Discussant: Dr Denis Hew, Director, APEC Policy Support Unit</p> |

| Time | Topics |
|---------------|---|
| 16-15 – 16.30 | Session 5: Conclusion and Next Steps <ul style="list-style-type: none">• Dr Denis Hew, Director, APEC Policy Support Unit• Dr Ben Shepherd, Principal, Developing Trade Consultants |