



# GLOBAL INFRASTRUCTURE HUB BUSINESS PLAN 2015-16

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## Executive Summary

- The Hub is focused on lowering barriers to investment, increasing the availability of investment ready projects, helping match potential investors with projects and improving policy delivery.
- It aspires to be independent, growth centred and focused on finding the best available global knowledge and adapting it for local application. It will build on existing work developed by the public and private sector communities
- The development of the Business Plan has been informed by an extensive program of consultation by the CEO, including with the Hub's Board, some G20 Deputies, multilateral development banks, the Organisation for Economic Cooperation and Development (OECD), the World Economic Forum, the International Infrastructure Support System and the Chinese Ministry of Finance.
- Key messages from the CEO's consultation include the importance of providing an impartial and open platform source of data and best practice and adding value to existing work. The Hub was not to advise on, or finance, specific projects.
- Specific actions are set out to address each element of the mandate, with a Capability Framework proposed to act as the key delivery mechanism and to link the various outputs and make them more accessible.
- To build the knowledge network the Hub will develop an online information source of currently financed infrastructure programmes, collect best practice materials and documentation and draw together a loose network of academics and private and public sector professionals.
- To begin addressing data gaps the Hub will commission a study of available data, looking at existing sources of project and procurement information and considering how data is and could be used to raise market efficiency. A standard set of operational data to be collected and reported by new projects will be proposed, thus providing an important input for cost-benefit analysis.
- Drawing on the G20 Leading Practices on Promoting and Prioritising Quality Investment, and other work on common or standard clauses, the Hub will consult widely to develop and promote voluntary codes on procuring quality infrastructure. It

will develop, together with relevant partners, model processes for project identification, preparation and procurement, including documentation.

- To build capacity of government officials the Hub will work with existing providers and act as a convening body between the public and private sectors to promote actions that have proven successful.
- To develop a consolidated project database the Hub will work with existing providers to foster successful innovation and find a solution that presents the best possible pipeline in a single open source database.
- The Capability Framework, to be built gradually, will include information on investment readiness, good practice and patterns of need and success. This will assist in matching countries interested in participating in knowledge transfer and in targeting direct advice given by the Hub.
- Drawing together many of the Hub's key outputs, the Capability Framework will represent a key asset of the Hub by the end of its initial mandate and a key means through which its success will be judged.
- Effective governance remains critical to the legitimacy and effectiveness of the Hub. At the 2 September Board meeting, key agenda items will include approval of the business plan, approval of the 2014-15 audited accounts, appointment of Hub senior managers and the creation of an audit and risk sub-committee.
- Total income of the Hub is A\$50.8 million, with exchange rate fluctuation the biggest risk (via its impact on non-Australian grant income). An overall surplus of 2.5 per cent of revenue (\$1.3 million) has been projected over the 2014-15 to 2018-19 period to provide an additional buffer against exchange rate change and to allow for new activities to be funded.
- The largest elements of the proposed budget are staffing, at \$18.7 million, and consultancies and capacity building, at \$8.3 million over the life of the Hub, and travel at \$4.7 million.
- The total staff profile, excluding secondees, peaks at 20 from 2016-17 to 2018-19. All contracts will cease at 31 December 2018, with a separate run-off budget provisioned for.
- The Hub's risk management framework covers both strategic and organisational risks. After the Business Plan is approved project risks will also need to be closely managed.

## 1. Aims and Objectives

### *Independent, growth centered and making global knowledge local*

Utilising its independence and G20 mandate, the Hub will improve public sector capacity, collaboration with international organisations (IOs), multilateral development banks (MDBs) and private sector engagement. Its aim is to lower barriers to investment, increase the availability of investment ready projects, help match potential investors with projects and improve policy delivery.

The Hub will add to the efficiency and effectiveness of infrastructure procurement, contributing to the stock of investable infrastructure projects to fuel GDP growth. While being neutral between any specific source of finance or contracting mechanism, the Hub will share leading practices with the public sector and evaluate different methods of utilising private finance, including public private partnerships (PPPs) and project financing.

With the aim to ultimately drive economic growth, the primary target sectors for the Hub are economic assets such as ports, airports, transport assets, power generation and transmission, water and communications networks. The Hub will inevitably develop further capability and will collect data in social infrastructure as a secondary priority.

The Hub will focus on finding the best available global knowledge, including with respect to sustainable investments, and adapting it for local application. As well as isolating project examples of appropriate best practice, the Hub will seek best practice in areas such as revenue mechanisms, government support mechanisms, risk transfer, profit-sharing, refinancing, bundling, securitisation, cross border finance and cross border connectivity<sup>1</sup>.

In assessing appropriate best practice the underlying characteristics of successful procurement models will need to be analysed and then assessed for applicability to a new environment. It is likely that many best practices for a particular region will be found from other countries within that region.

Finally, the Hub will refrain from advising upon specific projects, unless that project is being used as an example of application of best practice. The Hub will not engage in the raising or providing of finance for projects. Furthermore the Hub will not impose standards upon countries. It may endeavor, together with relevant partners, to propose and promote voluntary codes and standards in line with its mandate.

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<sup>1</sup> Appropriate best practice can be defined by the practices which have been proven to be successful and are likely to be transposable to the proposed investment environment.

## 2. Consultation and Engagement

Key partners for the Hub include the countries of the G20, MDBs and the Organisation for Economic Cooperation and Development (OECD). Memoranda of Understanding (MOU's) have already been signed with the World Bank Group and the OECD, with draft MOU's close to completion with the Inter-American Development Bank and the Asian Development Bank.

As a key supporter of an infrastructure hub the B20<sup>2</sup> also has important perspectives on the Hub's role and delivery mechanisms. More generally, it is important for the Hub to improve collaboration between the private sector and the G20 on infrastructure investment, including investment with a sustainability focus. It is also important to foster close relationships with non-G20 countries, regional groupings and forums and with non-government organisations.

### *Programme of consultation*

Since commencing with the Hub on 15 June, the CEO has undertaken an extensive programme of consultation to inform the development of the business plan. Key components of this consultation included meetings with:

- the Hub's Board (in Bodrum, Turkey);
- G20 Deputies from Argentina, Indonesia, Japan, Mexico, Saudi Arabia and Singapore; ;
- the Secretary General of the OECD;
- the heads of infrastructure departments in the MDBs, in the margins of the PPP Days event in London;
- the World Economic Forum (WEF) and the International Infrastructure Support System (IISS);
- the Chinese Ministry of Finance, including their PPP Centre;
- the Asian Infrastructure Investment Bank; and
- the Global Infrastructure Facility (GIF).

Further consultation within Australia includes meetings with:

- the Treasurer, the Hon. Joe Hockey MP;

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<sup>2</sup> The B20 is the G20's business engagement group.

- the Department of Infrastructure and Regional Development;
- Infrastructure Australia;
- the Treasury;
- the Department of Prime Minister and Cabinet;
- the Department of Foreign Affairs and Trade;
- a range of senior officials from the NSW Government; and
- the B20 Sherpa for Australia.

Please refer to Attachment A for a detailed list of the CEO's programme of consultation.

Additionally, the Chief Operating Officer attended G20 Investment and Infrastructure Working Group (IIWG) meetings in Singapore (25-26 May 2015) and Berlin (20-21 August 2015).

Additional consultation that is planned in the period to end-October includes meetings with the UN in New York and civil society as well as a program of bilateral meetings with African officials and the African Development Bank in the margins of the IMF/World Bank Annual Meetings in Lima.

### *Key messages from Consultation*

Both MDBs and individual country representatives see the Hub's G20 mandate as a key asset. In delivering that mandate key messages received by the CEO included that:

- The Hub be an impartial data driven organisation that collects, collates and promotes best practice, ensuring that this best practice is available to any who wishes to use it.
- The Hub focus on providing support to the public sector with the aim of increasing the efficiency and effectiveness of its infrastructure procurement and accelerating the supply of investment ready projects that are attractive to the private sector.
- The Hub look for opportunities where it can add to the activities of the MDBs and IOs by facilitating, supporting and promoting their work.
- The Hub's mandate excludes undertaking work involving advising on, or financing, specific projects.

Discussions with IOs and MDBs revealed a number of concrete actions where the Hub can support and assist. These include:

- Working with the OECD to understand the dynamics of privately financed infrastructure in G20 and OECD countries and to create a joint OECD/GIH international forum on long term and infrastructure investment to promote knowledge sharing ;
- Working with the World Bank to understand their databases and build a coherent picture of the data sources within the MDBs and beyond;
- Working with the MDBs to support better education around the PPP and privately financed infrastructure space;
- Agreeing specific target countries where the Hub's activities can augment those of the GIF;
- Working with the WEF and the Economist Intelligence Unit (EIU) to co-ordinate private sector input across the Hub's mandate; and
- Convening a series of conferences over the life of the Hub co-hosted with a range of partners.

During his meetings, the CEO discussed many of the new initiatives in the infrastructure space including the World Bank's GIF and other similar facilities, many of these focus on building project pipelines and better approaches to project design and transaction. These facilities are more focused on furthering specific projects, an area which is outside the Hub's mandate, so are unlikely to represent a significant area of overlap.

However, there are some of the new initiatives where the boundaries are not so clear. In these cases the Hub will ensure early communication of its intentions to all relevant parties to help to minimise the risk of duplicated effort.

Existing best practice initiatives with strong linkages to the Hub mandate include national PPP centres (including those in China, Indonesia and the Philippines as well as the European PPP Expertise Centre) and best practice libraries in the MDBs and the OECD. In these cases the Hub will not compete with existing programmes or initiatives, but will draw upon their experience and where possible add to it.

The private sector should also see themselves as partners in the Hub. They will be able to influence the activities of the Hub both by direct involvement in our activities, and also through the activities of the Strategic Advisory Council (see governance section for a more comprehensive discussion of the Strategic Advisory Council). In relation specifically to managing consultants, guidelines will be developed for Board approval on managing conflicts of interest and ensuring value for money.

### 3. The Mandate

The mandate agreed at the Brisbane G20 Leader's Summit covers five different areas:

- to develop a knowledge sharing network (the 'Knowledge Network');
- to address key data gaps that are important to the private sector;
- to promote and prioritise G20 Leading Practices;
- to build the capacity of the public sector to undertake procurements; and
- to ensure that there is a comprehensive, open source project pipeline database.

This mandate addresses critical choke points in the preparation and procurement of infrastructure projects. There are significant inter-linkages across the mandate. As a starting point, specific actions have been set out below to address each element of the mandate. From there, a key mechanism has been identified - the Capability Framework. This will act as the principal delivery mechanism for operationalising the mandate of the Hub and for linking the various outputs.

This Capability Framework will not only act as the principal delivery mechanism for the Hub's work, but it will also respond to the strong view from G20 Finance Ministers that there is both fragmentation and duplication across the G20 (and global economic governance more generally) in the actions being taken to address the global infrastructure challenge.

#### 3.1. The knowledge network

To assist G20 and non-G20 countries the Hub will develop an online information source providing information on current financed infrastructure programmes, as well as a collection of the materials and documentation that the Hub considers representative of best practice (the 'Best Practice Database'). This database will interact with existing data libraries in organisations such as the World Bank and OECD. As part of this database the Hub will include, as practicable, information on projects at the sub-national level

The Hub will also draw together, including through an interactive module, a loose grouping of academics and public and private sector professionals who are willing to support the Hub in achieving the mandate (the 'Expert Network').

#### 3.2. Addressing data gaps

Data on the financing and performance of infrastructure currently available across countries and the private sector is not comprehensive. The Hub will commission a study of available data, and research. This study will take into account the views of the public and private sector.

The study will look at the existing sources of project and procurement information and will consider how data is and could be used to improve the efficiency of infrastructure markets.

One area where it is clear that data is lacking is operational outcomes. This is important as it is an important input to cost benefit analysis. Having this data will also bring down the cost of finance, as well as strengthening the argument that infrastructure is an asset class. The Hub will assess the feasibility of closing this data gap over time. It will propose a standard set of operational data to be collected and reported by new projects in the future.

### 3.3. Developing effective implementation approaches to G20 Leading Practices

Drawing on the G20 Leading Practices on Promoting and Prioritising Quality Investment, and on other work on 'standardisation' or common clauses, the Hub will consult widely to develop and promote voluntary codes on procuring quality infrastructure. This consultation will include the International Monetary Fund, the OECD and the World Bank. It will develop model processes for project identification, preparation and procurement, including documentation.

The Hub will utilise ongoing engagement with APEC and the APEC Business Advisory Council (ABAC) as a mechanism to engage non-G20 countries and the private sector on the issues and processes around developing common or recommended clauses.

### 3.4. Building the capacity of government officials and sharing best practices

Building and maintaining public sector procurement capability is central to improving the flow of investment ready projects. The Hub will work with the existing providers in this area to ensure academic courses providing excellent training are recognised and that the steps taken by some countries to develop a high level of competence in their staff is understood.

The Hub will also act as a convening body, bringing together the public and private sector to discuss and promote the actions that have proven successful. One of its initial steps will be to build a platform to establish a virtual network of PPP Centres from around the world, partnering with China and the European Bank for Reconstruction and Development. After identifying a topic that offers high potential for knowledge exchange the Hub will then complement this virtual network with a face-to-face forum.

### 3.5. Developing a consolidated project database

Identifying projects which provide high value benefits relative to costs, and have strong political backing (so are most likely to succeed) is an important and time consuming step for both the public and private sectors. Bringing these projects together as a single body of information provides important benefits. It would give feedback to procurement agencies on the preparedness and attractiveness of the project, whilst also signaling levels of preparedness to the potential developers, allowing them to focus their efforts. Many countries are improving their planning, and are presenting national infrastructure plans which are then being translated into pipelines of potential projects. The global pipeline of projects which can

reasonably expect to reach committed finance in the next three years is finite, and largely known, however it is neither collected nor presented in a single database on an open source basis.

The Hub recognises that there is good work being undertaken, in both the profit and not-for-profit sector to look for mechanisms for presenting and verifying the level of preparedness of infrastructure projects. It will work with those providers to find a solution to present the pipeline in an open source single database and also to manage risks around the identification of specific projects in this database. The Hub will also look to ensure that any solution is scalable, includes a strategy to draw in subnational projects and is ready to be rolled out in a reasonable timeframe

## 4. Operationalising the mandate – The Capability Framework

### 4.1. The Capability Framework

To be effective the Hub needs to be able to call upon global knowledge and experience, and then apply it effectively in a local situation. An important element of the Hub's work will be the Capability Framework.

The Capability Framework will consist of three different elements or groups of measures:

- *Dataset 1 – Investment Readiness*

The presence of certain fundamentals, such as appropriate legal frameworks and access to the capital markets, are important to understanding the applicability of different procurement models. Measuring these parameters is already being undertaken by a number of bodies, including EIU, OECD and WEF. The Hub would work with these bodies to agree both the contents of this section of the database, and the best means (or entity) to populate it.

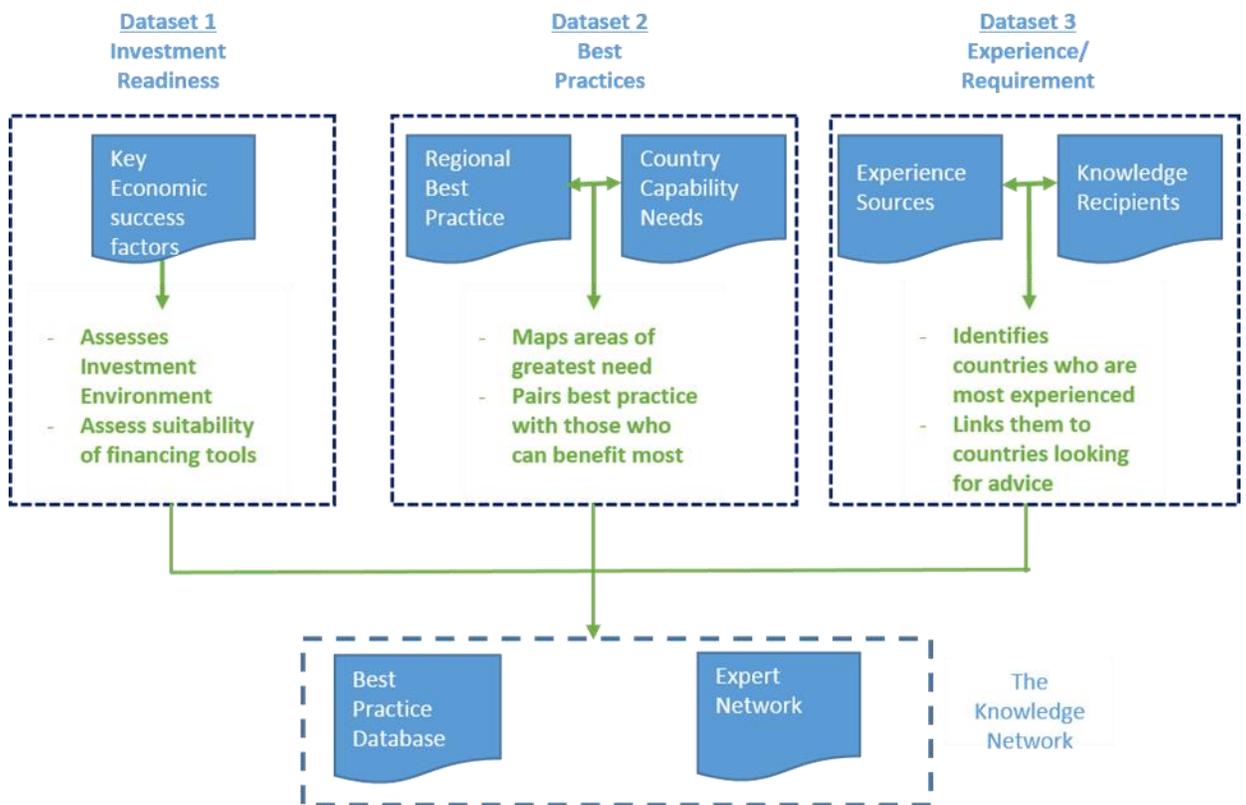
- *Dataset 2 - Measures of good practice*

Recognising regional differences of practice is important in successfully translating best practice. Analysing the underlying principles that lead to successful financings will help to ensure that appropriate lessons are learned from examples of Best Practice. This more granular understanding of best practice will make it more adaptable, as well as ensuring that regional best practice is not overlooked. This work will be developed in close cooperation with relevant MDBs and the OECD and also provide a unique opportunity to promote, consolidate and disseminate such work.

- *Dataset 3 - Infrastructure experience/requirement database*

To understand where best practice can be sourced, and also where it needs to be applied, the Hub will need to understand which countries have a relevant, recent track record of success. Likewise we will need to identify, together with international partners, those countries looking for advice. The experience/requirement Dataset will allow expert nations and aspirants to be identified and paired. This information would also allow specific searches of the Knowledge Network, allowing easy access of information about specific capabilities, and where they can be found.

*Figure 1 - The Capability Framework Schematic*



The Capability Framework will allow the Hub to be tightly focused on activities which will meet its mandate. The experience requirement section will allow the Hub to tap into the knowledge of expert nations to assist those that are looking for knowledge transfer. The good practice measures ensure that regional good or appropriate practices are identified, allowing smoother transfer of knowledge. The investment readiness measure will ensure that any direct advice given by the Hub is carefully targeted to those countries which would be most likely to go on to succeed.

The Capability Framework would also provide the basis of the Knowledge Network. Public and private sector experts from countries which are sources of best practice could be easily contacted through the expert network, and areas of knowledge weakness identified in the good practice measures could be addressed by targeted analysis of best practice stored in the Best Practice Database.

The Knowledge Network would combine examples of best practice, commissioned research and articles provided by the Expert Network. The Expert Network would identify those who have worked with, and understand the different best practices being espoused. The knowledge network would have examples of best practice projects and articles giving guidance on lessons learned. It would also highlight specialised procurement techniques that have been successfully used such as partial risk guarantees, revenue support mechanisms and political risk protections.

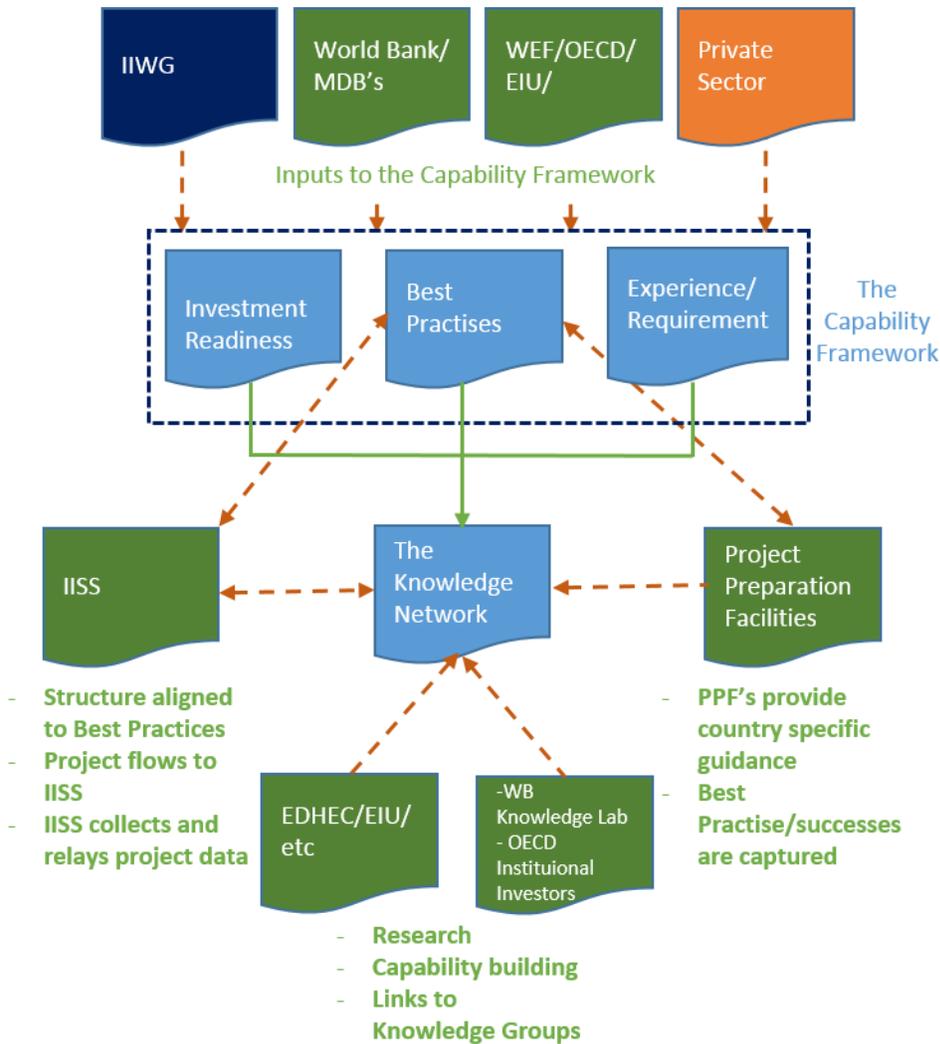
Should the Hub be able to gain broad agreement on the form of the Capability Framework, and the criteria measured within it, then it will become a powerful tool for improving global standards for infrastructure procurement.

The Capability Framework could also allow users to access information about the experience of different private sector advisors in each of the specific areas they are interested in, and potentially link them through to databases where lists of projects could be found (such as the IISS project preparation online tool).

#### 4.2. Building the Capability Framework

The Capability Framework would be built gradually, drawing on the full resources available to the Hub and in collaboration with other partners and relevant parties. The form of country participation would be up to individual countries to define and input on various elements of the Framework would be sought from the G20 Investment and Infrastructure Working Group. The Framework would be developed with significant input from the private sector, including via the Strategic Advisory Council, to ensure that it is useful to them. This link to the private sector, and other sources of expert advice, will ultimately make the Framework a powerful tool.

Figure 2 - Linking with Stakeholders



Note: The Economist Intelligence Unit (EIU) and World Economic Forum (WEF) have repositories of data on investment preparedness and hence are included among the entities feeding into the Capability Framework.

To be most effective the Capability Framework would both draw upon the data and experience of the public and private sector to create and maintain it, whilst also providing a feedback mechanism capturing best and successful practices and allowing the capture and analysis of data entities. A good example of this would be working with the project preparation facilities, where the market information they hold will provide important information in setting up the Capability Framework, and the successful practices they trial can then be made available to others.

The IISS database could also provide an interesting test case in this regard. The structure of the IISS database could be informed by the best practices database, while data collected by IISS could then provide an interesting insight into successful project preparation practices.

Other important sources of knowledge and expertise such as the World Bank PPP Knowledge Lab, the OECD international network of institutional investors and long term investment and the Private Participation in Infrastructure Advisory Facility (PPIAF) will both inform the Knowledge Network, but also provide access to specific interest groups for further research.

Clear guidelines and governance would be developed and agreed to ensure that data was suitably protected.

## 5. Business plan goals

Clear goals are an important mechanism for the Hub's Board and the G20 more broadly to judge the success of the Hub. The goals across each element of the mandate are set out below and in Attachment B. As the Hub continues to refine exactly how it will deliver on the mandate these goals will continue to evolve, with this evolution to be reflected in future business plans.

### 5.1. Creating the Capability Framework

#### 5.1.1. Long Term Aims

- To complete the construction, population and acceptance of the Capability Framework.
- Gain acceptance of the Capability Framework from G20, Private Sector, IOs and MDBs.
- Agree the mechanisms for operating, maintaining and updating the Capability Framework post the life of the Hub.

### 5.1.2. Short Term Goals – in the next 12 months the Hub will:

- Build consensus as to the structure and criteria to drive the Capability Framework. Stakeholders involved would include MDBs, IOs, EIU, B20 and private sector partners, and G20 countries.
- Agree a strategy for gaining acceptance of the Framework from non-G20 countries and a rolling strategy for populating the databases.
- Select a set of G20 countries in which to hold seminars for the public sector officials involved in Infrastructure to discuss the structure of the Capability Framework and begin a process of self analysis.
- Hold similar Seminars for the MDB's/IO's and the private sector to gain their analysis of the same data set
- Present the findings of the study at the first opportunity

## 5.2. The Knowledge Sharing Network

### 5.2.1. Long Term Aims

- To complete the construction, population and acceptance of the Knowledge Sharing Database.
- For a representative sample of projects from each of the different sectors and countries to have been provided and analysed, making the strengths and weaknesses of each approach clear.
- For examples of the different tools that are required for successful procurement programmes to be available (such as cost benefit, value for money, public sector comparator and dispute resolution).
- To recognise one off successful financings and promote them, encouraging replication.
- For examples of specific innovative techniques used (such as revenue support mechanisms, bundling and risk guarantees) to be available.
- To ensure that articles and papers have been collected and collated.
- That the ownership of the Good Practice Database be passed on to an entity that would maintain and update it on an open source basis.

- That the Network of professionals associated with the Hub would have formed its own governance and be able to continue to provide assistance without the intervention of the Hub.

### **5.2.2. Short Term Goals – in the next 12 months the Hub will:**

- Hold discussions with the AIB, GIF and MDBs as to how the Knowledge Network might link to or incorporate their examples of best practice.
- Hold discussions with interested academic bodies to gain their involvement in research.
- Analyse the existing best practice materials including the work of MDBs and IOs, and understand the work that already exists, collecting appropriate examples for the Hub library.
- Bring forward an internal decision paper looking at gaps in the analytical work and literature and considering how best to fill them.

## **5.3. Understanding the Data Gaps that are important to the Private Sector**

### **5.3.1. Long term Aims**

- Conclude an audit of the existing project data.
- Agree with the private sector which areas of data are important.
- Prioritise the data gaps on the basis of a return on effort basis.
- Plan data acquisition studies to start filling the gaps.
- Agree funding for completing the data gap acquisition post Dec 2018.

### **5.3.2. Short Term Goals – in the next 12 months the Hub will:**

- Agree the terms of the data Audit.
- Link with the infrastructure as an asset class G20 streams of work to ensure that there is no overlap.
- Undertake a request for proposals seeking prices for the audit.
- After six months, be ready to launch the audit.
- Hold initial discussions with the private sector and gain their views on data gaps.
- Hold initial discussions with the MDBs and IOs gaining their views on data gaps.

## 5.4. The Hub will identify and prioritise the G20 Leading Practices

### 5.4.1. Long term Aims

- To build from the G20 Leading Practice to promote voluntary codes on procuring quality infrastructure, and to develop model processes for project identification, preparation and procurement, including documentation.
- To have worked with the World Bank, and other relevant experts, to promote their best practices legal work.
- To have begun to assess the impact of this stream of work on time to market.

### 5.4.2. Short Term Goals – in the next 12 months the Hub will:

- Develop a clear set of objectives with other partners and relevant experts on the direction for further work on recommended PPP clauses.
- Agree responsibilities with the World Bank for continuing the ongoing legal good practices work.

## 5.5. Building Capability

### 5.5.1. Long term Aims

- To have an understanding, through the Capability Framework, of where capability building is on the critical path.
- To have analysed the issues relating to capability building including remuneration, career paths, retention and education.
- To have identified and recommended high value courses building procurement capability.
- To have run 10 capability enhancing workshops bringing together public and private sector experts to debate key issues for specific countries.
- To have run two conferences covering best practice topics.

### 5.5.2. Short Term Goals – in the next 12 months the Hub will:

- Survey the best practice education and retention schemes within infrastructure procurement.
- Survey any schemes in other industries which can offer any further insight.

- Understood the present offerings within our industry (including UK Major Projects Course and World Bank PPP Certificate)
- Discussed approaches to the issue with the MDBs and IOs.

## 5.6. Collecting information on the Global Project Pipeline

### 5.6.1. Long term Aims

- To have worked with the MDBs and IOs, as well as countries with proven project pipelines, to understand the existing approaches to project pipelines.
- To have supported the creation of a pipeline that is accepted by both the public and private sector and to participate in the design and review of its templates.
- To have promoted that pipeline mechanism and seen it used as broadly as possible.
- To be using the data from the pipeline (eg completion statistics and cost/time overruns) to further inform countries in running their procurement programmes.

### 5.6.2. Short Term Goals – in the next 12 months the Hub will:

- Understand the benefits and limitations of the IISS model (scalability, platform design, security, timeframes for rollout, revenue model) as a single open source project preparation tool.
- Understand other approaches used to run/organise pipelines and their benefits.
- Agree a process by which the Hub can assess the appetite for and usefulness of any proposed model to the public and private sectors.

## 6. Governance

The governance framework was set out in the annex to the 2014 G20 Leaders Communiqué entitled 'G20 Note on the Global Infrastructure Initiative and the Global Infrastructure Hub'. The effective functioning of this governance framework is critical to the legitimacy and effectiveness of the Hub.

Since the incorporation of the Hub as a not-for-profit company under the Australian *Corporations Act 2001* on 24 December 2014, key milestones in the Hub's establishment have included the transition from the temporary to the permanent Board, the first meeting of the permanent Board on Wednesday 15 April 2015 and the extension of Mr Robert Milliner's term as an independent director and Ms Katherine Sierra's appointment as an independent director by the Members on 17 August.

At the upcoming 2 September Board meeting, key issues discussed will include approval of the business plan, approval of the 2014-15 audited accounts, appointment of Hub senior managers, the tabling of initial Hub policies and procedures and the creation of an audit and risk sub-committee.

The purpose of the audit and risk subcommittee is to provide assurance and assistance to the Board on the Hub's risk, control and compliance framework, and its external accountability responsibilities. The functions of the committee include reviewing the appropriateness of the Boards' financial reporting, performance reporting, system of risk oversight and management and system of internal control.

Consultation with relevant partners and experts will also provide important context to decision making by the Board and management. The Strategic Advisory Council is the key mechanism to provide direct private sector and international organisation input into the Hub's strategic processes and operations. Additional consultation processes will be set up by the CEO and run by the Hub.

### **The Strategic Advisory Council**

The Strategic Advisory Council (SAC) will be chaired by the Australian independent director, thus ensuring direct interface between the views of the Council and the Board's oversight of the Hub.

In addition to the Chair and CEO, to ensure sufficient geographic and sectoral coverage and diversity there will be ten appointed ordinary members of the Council, with representation sought in part from peak sectoral bodies. Representatives from the World Bank, OECD and WEF will also be invited in an ex-officio capacity.

The appointment process for the Council has been staged to allow the CEO to undertake initial consultations among G20 countries and non-G20 countries that have contributed to the Hub (Singapore and New Zealand). The appointment process for the Council will be managed by Mr Milliner, who as the Australian independent director will Chair the Council, in consultation with the B20.

At the next Board meeting Mr Milliner will table a draft Charter for the SAC as well as an initial suite of proposed members of the Council.

## 7. Budget and staffing

The Hub's budget for 2015-16 to 2018-19 is set out in Table 1. The carryover of \$5.4 million from 2014-15 represents a combination of Australian Government and UK Government grant funding, together with the fact that some initial establishment expenses were funded by the Commonwealth Treasury.

**Table 1 – Hub Budget for 2015-16 to 2018-19**

	2015-16 \$AUmillion	2016-17 \$AUmillion	2017-18 \$AUmillion	2018-19 \$AUmillion	Total \$AUmillion
<b>Income</b>					
Australian contribution	7.66	6.86	6.86	3.43	<b>28.21</b>
Other contributions	5.45	5.65	5.65	3.34	<b>22.10</b>
Interest	0.14	0.13	0.13	0.06	<b>0.46</b>
<b>Total income</b>	<b>13.26</b>	<b>12.65</b>	<b>12.65</b>	<b>6.83</b>	<b>50.77</b>
<i>Funds from previous year</i>	<i>5.40</i>	<i>6.19</i>	<i>4.58</i>	<i>3.00</i>	
<b>Expenditure</b>					
Establishment	1.70				<b>1.70</b>
Salaries	2.99	6.05	6.15	3.47	<b>18.67</b>
Travel	1.30	1.33	1.37	0.68	<b>4.68</b>
Property	0.52	0.42	0.45	0.25	<b>1.64</b>
HR, CFO and Legal	0.42	0.42	0.42	0.35	<b>1.59</b>
IT support	0.24	0.24	0.24	0.10	<b>0.82</b>
Database	0.60	0.60	0.20	0.20	<b>1.60</b>
Communications/branding/website maintenance	0.69	0.69	0.69	0.35	<b>2.42</b>
Consultancies and capacity building	2.50	2.30	2.30	1.15	<b>8.25</b>
Workshops and conferences	0.35	0.36	0.37	0.30	<b>1.38</b>
Board and SAC	0.48	0.49	0.49	0.25	<b>1.71</b>
Other	0.68	1.36	1.55	1.44	<b>5.04</b>
<b>Total Expenditure</b>	<b>12.46</b>	<b>14.26</b>	<b>14.22</b>	<b>8.54</b>	<b>49.48</b>
<b>Net surplus</b>	<b>6.2</b>	<b>4.6</b>	<b>3.0</b>	<b>1.3</b>	<b>1.29</b>

Note: 1. Salaries and travel expenditure both indexed by CPI, as forecast by the Australian Government in the 2015-16 Budget.

2. Other consists of non-salary costs associated with secondments, workers compensation premiums, staff training expenses, a contingency to cover \$A appreciations, fringe benefits and payroll tax liabilities, telephone costs and miscellaneous office expenses (eg printing, cleaning, taxis, stationary).

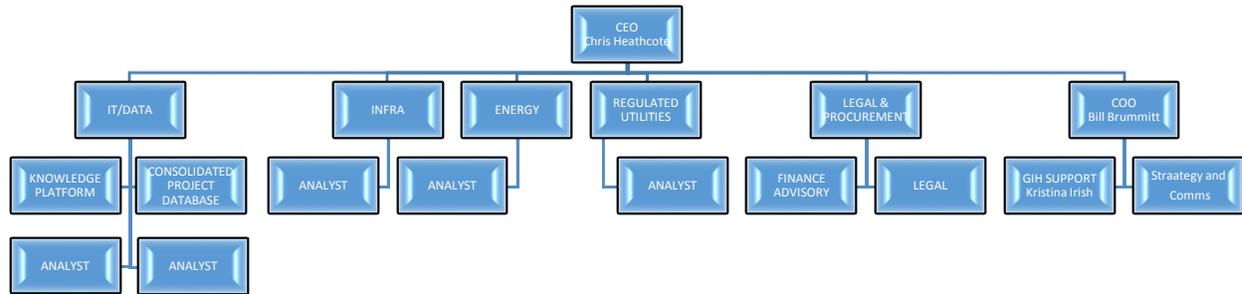
Total grant income, plus interest, at current exchange rates is projected to be \$50.8 million from 2015-16 to 2018-19 . Because, the majority of grant income from non-Australian Governments is denominated in US\$ or Pounds sterling the total income of the Hub is highly sensitive to movements in the Australian Dollar. A provision has been included to cover the uncertainty of the exchange rate in 2016-17, 2017-18 and 2018-19. However, clearly a significant element of risk remains.

To provide further coverage at this early stage, and to allow for new activities to be funded as the business plan crystallises, an overall surplus of 2.5 per cent of income (\$1.29 million) has been maintained over the 2014-15 to 2018-19 period.

The largest elements of the proposed budget are salaries, at \$18.7 million, and consultancies and capacity building at \$8.3 million over the life of the Hub.

The total staffing profile, including both senior executive and other staff (but excluding secondees), builds from a predicted year average level of 12 in 2015-16 to 20 in 2017-18 and 2018-19. All contracts will cease at 31 December 2018, with a separate run-off budget provided. An indicative organisational chart is set out at Figure 3.

*Figure 3 – Organisational chart*



Specific consultancies that have been provisioned for include building the Capability Framework, the data audit and associated follow-up and the operational data project, as well as capacity building work.

The total travel budget is \$4.7 million, including CEO and staff travel and accommodation as well as insurance.

Where possible, costs (like property lease, ICT build and CFO) are based on actual contracted amounts or quotes. Where estimates are used they are based on costs of establishing similar entities in Sydney. Wage and travel costs have been indexed for inflation.

## 8. Risk Management

The Hub’s risk management framework focuses on ensuring that the Hub as an organisation can deliver on its mandate. At this stage, the key categories of risk impacting on the Hub’s organisational effectiveness are strategic risks and operational risks (see Table 2), where:

- Strategic risks affect the ability of the Hub as a whole to achieve its strategic objectives; and
- Operational risks are those from the day to day operation of the Hub.

After the Hub delivers its initial business plan and on-boards its professional staff project related risks will also need to be managed.

**Table 2 Global Infrastructure Hub: Risk Management Strategy**

Risk category	Risk	Risk Likelihood	Risk Weighting	Risk Mitigation Strategy
Strategic	Loss of legitimacy			<ul style="list-style-type: none"> <li>• Independent governance structure</li> <li>• Board approval of business plan and endorsement of G20 Finance Ministers and Central Bank Governors</li> <li>• Understanding of mandate as key staff recruitment criteria</li> </ul>
	Adequacy of financial resources			<ul style="list-style-type: none"> <li>• Detailed grant agreement with Australian Government</li> <li>• MOUs with all funding countries to formalise commitments of financial resources</li> <li>• Tracking payment due dates and actively</li> </ul>

				<p>following up contributions as they fall due.</p> <ul style="list-style-type: none"> <li>Running a formal recruitment process for senior positions to maximise competitive tension with respect to salaries</li> </ul>
	Attracting and retaining staff			<ul style="list-style-type: none"> <li>Formal recruitment process to source a broad pool of candidates suited to the Hub</li> <li>Public good nature of Hub's work</li> <li>Flat management structure</li> <li>Training and development opportunities</li> </ul>
	Knowledge and assets developed by Hub not preserved			<ul style="list-style-type: none"> <li>Partnering with a range of institutions on different deliverables</li> <li>Developing Capability Framework to hardwire links between GIH and its partners</li> <li>Detailed options paper to be prepared for a future Board meeting</li> </ul>
	IT functionality			<ul style="list-style-type: none"> <li>Engagement of specialist sub-contractor</li> <li>Detailed system specification</li> <li>Involvement of Treasury IT expert in selection of successful tenderer.</li> </ul>

Operational risks	Financial management			<ul style="list-style-type: none"> <li>• PWC engaged to provide outsourced CFO function</li> <li>• Dedicated finance officer in Hub</li> <li>• Monthly reporting on all key metrics</li> </ul>
	Financial integrity and fraud			<ul style="list-style-type: none"> <li>• Dual expenditure signoff protocols agreed with ANZ Bank and PWC</li> <li>• Relevant office policies developed</li> <li>• KPMG appointed as external auditor.</li> </ul>
	OH&S risks			<ul style="list-style-type: none"> <li>• Policies being developed in line with Australian statutory requirements</li> <li>• Relevant workers compensation and travel insurances purchased</li> </ul>
	Information security and data protection			<ul style="list-style-type: none"> <li>• Industry standard information security and data protection</li> <li>• Dual firewalls</li> <li>• Dual internet connection, dual offsite backup.</li> </ul>
	Business continuity			<ul style="list-style-type: none"> <li>• A comprehensive business continuity plan will be developed, assessing both risks to business continuity and risk mitigants.</li> </ul>
LEGEND	LOW 	MEDIUM 	HIGH 	

## Attachment A – Consultation

Details of the CEO’s consultation over the last few months can be found below in Table 3:

**Table 3: Programme of Consultation**

<b>MONTH</b>	<b>PERSON/ORGANISATION MET</b>	<b>LOCATION</b>	<b>PURPOSE</b>
June	Heenam Choi Republic of Korea	Bodrum, Turkey G20 Deputies meeting	Consultations
	Ishak Syurkani and Rizal Affandi Lukman Indonesia	Bodrum, Turkey G20 Deputies meeting	Consultations
	Maria Angeles Gonzalez Mexico	Bodrum, Turkey G20 Deputies meeting	Consultations
	Yoshiki Takeuchi Japan	Bodrum, Turkey G20 Deputies meeting	Consultations
	Cavit Dagdas Turkey	Bodrum, Turkey G20 Deputies meeting	Consultations
	Sulaiman Al-Turki Saudi Arabia	Bodrum, Turkey G20 Deputies meeting	Consultations
	Andy Baukol United States	Bodrum, Turkey G20 Deputies meeting	Consultations
	Christian Kastrop OECD	Bodrum, Turkey G20 Deputies meeting	Consultations
	Peter Ong Singapore	Bodrum, Turkey G20 Deputies meeting	Consultations
	Ludger Schuknecht Germany	Bodrum, Turkey G20 Deputies meeting	Consultations
	Usha Titus India	Bodrum, Turkey G20 Deputies meeting	Consultations
	Guangyao Zhu China	Bodrum, Turkey G20 Deputies meeting	Consultations
	Agustin Pablo Simone Argentina	Bodrum, Turkey G20 Deputies meeting	Consultations
	Thomas Maier and Matthew Jordan-Tank European Bank for Reconstruction and Development	London, UK PPP Days	Consultations
	Laurence Carte, Clive Harris and Francois Olivier Bergere World Bank	London, UK PPP Days	Consultations
	James Whittall European Investment Bank	London, UK PPP Days	Consultations

<b>MONTH</b>	<b>PERSON/ORGANISATION MET</b>	<b>LOCATION</b>	<b>PURPOSE</b>
	Kodeidja Malle African Development Bank	London, UK PPP Days	Consultations
	Srinivas Sampath Asian Development Bank	London, UK PPP Days	Consultations
	Alejandro Alvarez von Gustedt Inter-American Development Bank	London, UK PPP Days	Consultations
	Christophe Dossarps IISS-SIF	London, UK PPP Days	Consultations
	Mark Bowman HM Treasury	London, UK	Consultations
	Angel Gurría, Gabriel Ramos and Andre Laboul OECD	Paris, France	Meeting and consultations
	Richard Samans and Alex Wong World Economic Forum	Geneva, Switzerland	Meeting
July	John A Fraser Australian Treasury and Hub Chairman	Teleconference	Meeting
	Brendan Lyon Infrastructure Partnership Australia	Sydney, Australia	Consultations
	Robert Milliner B20	Sydney, Australia	Meeting
	Joe Hockey Australian Treasurer	Sydney, Australia	Consultations
	Kelly O'Dwyer MP	Teleconference	Meeting
	Kathy Sierra Independent Director	Teleconference	Meeting
	Leo Abruzzese Economist Intelligence Unit	Teleconference	Consultations
	Hugo Llorens U.S. Consul General	Sydney, Australia	Meeting
	NSW Government Officials	Sydney, Australia	Meeting
	Kate Bennett Australian Latin America Business Council	Sydney, Australia	Meeting
	Mike Mrdak Australian Department of Infrastructure and Regional Development	Canberra, Australia	Consultations
	Nigel Ray Australian Treasury	Canberra, Australia	Meeting

<b>MONTH</b>	<b>PERSON/ORGANISATION MET</b>	<b>LOCATION</b>	<b>PURPOSE</b>
	Mike Callaghan Lowy Institute for International Studies	Canberra, Australia	Consultations
	David Gruen Australian Department of Prime Minister and Cabinet	Canberra, Australia	Meeting
	Brendan Berne Australian Department of Foreign Affairs	Canberra, Australia	Meeting
August	Zou Jiayi Chinese Ministry of Finance	Beijing, China	Consultations
	Jiao Xiaoping Chinese Ministry of Finance PPP Centre	Beijing, China	Consultations
	Jin Liqun Asian Infrastructure Investment Bank	Beijing, China	Consultations
	Liu Hao China Development Bank	Beijing, China	Consultations
	Hamid Sharif, Asian Development Bank	Beijing, China	Meeting
	Hu Xiaolian Ex-Im Bank	Beijing, China	Meeting
	Wang Xiaolong China G20 Special Envoy Ambassador	Beijing, China	Meeting
	Jordan Schwartz, Mark Moseley and Cledan Mandri-Perrot World Bank	Singapore	Consultation
	Yee Ping Yi, Lee Pak Singh and Grace Seah Singapore Ministry of Finance	Singapore	Consultation
	David Luboff Macquarie Specialised Asset Management	Singapore	Meeting
	Frederic Blanc-Brude EDHEC Risk Institute	Singapore	Consultation
	Allard Nooy InfraCo Asia	Singapore	Consultation
	Bernard Wee, Ong Boon Chye and, Sylvia Wong Monetary Authority of Singapore	Singapore	Consultation

<b>MONTH</b>	<b>PERSON/ORGANISATION MET</b>	<b>LOCATION</b>	<b>PURPOSE</b>
	Kow Juan Tiang, Kow Juan Tiang and Teoh Kar Meng IE Singapore	Singapore	Meeting
	David Lloyd ANZ	Singapore	Meeting
	Jasper Wong UOB	Singapore	Meeting
	Sharad Somani KPMG	Singapore	Meeting
	Oliver Redrup PWC	Singapore	Meeting
	Bruce Weller APAC	Singapore	Meeting
	Munetaka Horiguchi JBIC	Singapore	Meeting
	Khoo Teng Chye Centre for Livable Cities	Singapore	Meeting
	Mark Adamson Fletcher Building Ltd	Auckland, New Zealand	Meeting
	John Duncan and David Caselli Auckland Investment Office	Auckland, New Zealand	Meeting
	Stephen Selwood, New Zealand Council for Infrastructure Development	Auckland, New Zealand	Meeting
	David Taylor and Dan Marshall New Zealand Treasury	Auckland, New Zealand	Meeting
	Shayne Grey New Zealand Ministry of Business, Innovation and Employment	Auckland, New Zealand	Meeting
	Keith Griffiths New Zealand Trade and Investment	Auckland, New Zealand	Meeting
	Jack Whelan Compuserve	Sydney, Australia	Meeting
	Sir Rod Eddington and Philip Davies Infrastructure Australia	Sydney, Australia	Meeting
	Phillip Cornwell and Leighton O'Brien Allens	Sydney, Australia	Meeting

## Attachment B - Hub 18 Month work plan

	2015								2016												
	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec		
<b>DEVELOP A KNOWLEDGE SHARING NETWORK</b>																					
Agree structure and measurable parameters				Sep-15				Mar-16													
Data gathering strategy prioritisation and timing				Sep-15				Mar-16													
Data gathering process								Jan-16													
Investment readiness criteria contract agree terms and let contract								Jan-16													
Project best practice consultation				Oct-15				Mar-16													
Let contract/begin internal work on data gathering	Apr-15																		→	Ongoing	
Analyse market experience/needs agree form of database let contract/begin internal data gathering	Apr-15																		→	Ongoing	
Agree form of the people network/database and begin to populate				#####															→	Ongoing	
<b>ADDRESSING KEY DATA GAPS</b>																					
Agree terms of the data audit									Nov												
Audit								Jan-16		Jun-16											
Identify data gaps and prioritise with private sector													Jun		Aug						
Agree strategy to fill data gaps																					
<b>PROMOTE &amp; PRIORITISE G20 LEADING PRACTICES</b>																					
Identify and list the relevant G20 Leading Practices				Oct		Dec															
Agree strategy for promoting their implementation	Jan-15																	Mar-16			
Agree responsibilities for legal best practice with World Bank																		Mar			
<b>CAPACITY BUILDING</b>																					
Survey and understand education and staff retention schemes				Oct-15		Feb-16															
Discuss approaches to capacity building with MDB'S to ensure additionally																					
Agree creation of further content where appropriate								Feb-16		Sep-16											
Agree responsibilities for legal best practice with World Bank																		#####			
<b>PROJECT PIPELINE DATABASE</b>																					
Assess existing pipeline projects as to their robustness and scalability				Oct-15		Jun-16															
Agree their required outputs with private sector and MDB's				Oct-15		Jun-16															
Support preferred pipeline option encouraging it's use by G20 countries and others													Jun-16		→		onwards				
Monitor effectiveness of supported option													Jun-16		→		onwards				