

**FIRST INTERNATIONAL ECONOMIC FORUM ON ASIA
- SESSION 1: ESTABLISHING GLOBAL STANDARDS TO PROMOTE
QUALITY INFRASTRUCTURE INVESTMENT AND NEW FINANCE**



PROMOTING QUALITY INFRASTRUCTURE INVESTMENT IN ASEAN

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OECD Southeast Asia Regional Programme



I. Southeast Asia needs more investment in infrastructure

Investment of around **147 billion USD** per year until 2020 is needed to maintain the growth momentum

Estimated Infrastructure Investments and Gaps 2016-2020 (\$ billion in 2015 prices)

Region	Estimated Current Investment (2015)	Annual Investment Needs	Gap	Gap as % of GDP
Selected Central Asia Countries (3)	6	11	5	2.3
Selected South Asia countries (8)	134	294	160	4.7
Southeast Asia Countries (7)	55	147	92	3.8
Selected Pacific Countries (5)	1	2	1	6.2
India	118	230	112	4.1
Indonesia	23	70	47	4.7
China	686	753	68	0.5

Source: ADB estimates (2017)

Selected Central Asia (3): Armenia, Kazakhstan, Kyrgyz Republic

Selected South Asia (8): Afghanistan, Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan, Sri Lanka

Selected Southeast Asia (7): Cambodia, Indonesia, Malaysia, Myanmar, Philippines, Thailand, Viet Nam

Selected Pacific (5): Fiji, Kiribati, Marshall Islands, Micronesia, Fed. States of, Papua New Guinea



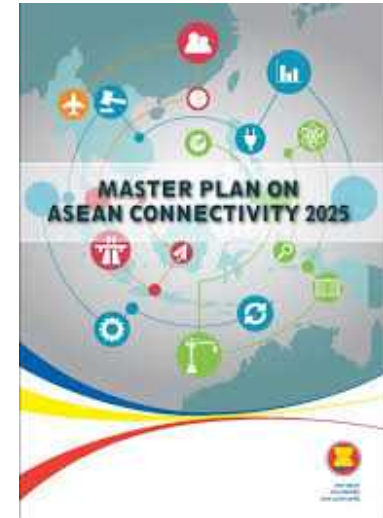
II. ASEAN's Strategy and bodies for Quality Infrastructure

Master Plan on ASEAN Connectivity 2025



Sustainable
infrastructure

- Increasing public and private infrastructure investment
- Enhancing infrastructure productivity
- Supporting cities in adopting sustainable practices



Substantive Committees of ASEAN involved in Infrastructure related issues:

- Connectivity Coordinating Committee
- Coordinating Committee on Investments
- Transport Committee
- Finance Committee...



III. How the OECD supports ASEAN in implementing quality infrastructure?

OECD SEARP Regional Policy Network on Sustainable Infrastructure supports:

- ASEAN Principles for Public-Private Partnerships (PPP) Frameworks
- Value for Money in Public-Private Partnerships projects in Southeast Asia, Pilot review of the PPP framework in the Philippines, Guide on how to use transaction advisors in infrastructure projects
- Private Infrastructure Investment: Availability of Risk Mitigation Instruments in ASEAN Member States
- Also: G20/OECD Task Force on Long-term Investment



Example 1: G20/APEC Work developed through the G20/OECD Taskforce on Long Term Investment

G20/OECD Guidance Note and Support Note on the Financing of Infrastructure and SMEs (Endorsed by G20 Leaders - Sept 2016) - Key Findings:

**The opportunity:
Diversifying source of
finance and mobilizing
institutional investors**

There is a need to **diversify source of finance** for infrastructure across **the value chain** (venture capital, banks, corporates etc..)

Institutional Investors with more than USD 80 trillion of AUM could be a source of finance for infrastructure however on average only 1% is invested in the sector

Demand to invest in developing countries is growing, USD 1 trillion could be mobilized over a prolonged period of time

**Policy Role: Use of Risk
mitigation
tools/Blended Finance**

Insurance, guarantees, credit enhancement are particularly important for access to debt financing and to mitigate political and regulatory risks

Commercial risks related to construction, exchange rate, and counterparty risks constrain equity and debt financing

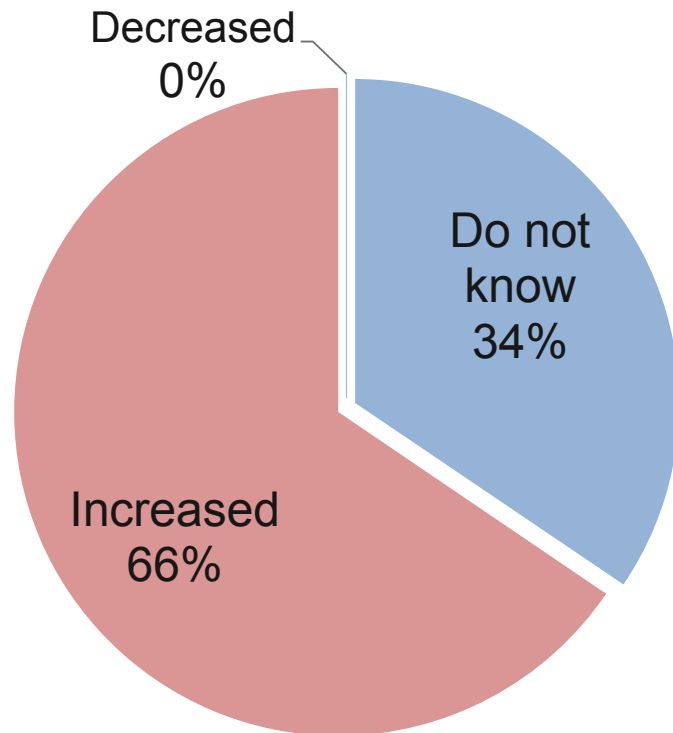
Transition/Climate change risk may cause challenges to the financial systems



Example 2: Demand for Policy Risk Insurance in ASEAN increased since the global financial crisis

Political Risk Insurance (PRI) eases the access to equity and debt financing (longer tenors, lower financing costs and larger amounts).

Demand for PRI in ASEAN after the Global Financial Crisis



Source : Project Risks and Mitigation survey (2015)

Demand for PRI cover differ among ASEAN countries:

- Low demand: **Brunei, Malaysia and Singapore**
- Medium demand (for certain infrastructure projects): **Thailand, Philippines and Indonesia**
- Higher demand: **Lao PDR, Cambodia, Myanmar** and – to a lesser extent – **Viet Nam**.



IV. RPN on Sustainable Infrastructure going forward...

Objectives of Regional Policy Network on Sustainable Infrastructure:

- Environmental and integrity **standards** in infrastructure procurement
- **Financing** and value for money throughout the project's life-span
- **Governance:** Integrate infrastructure planning and management with a long term national strategy

Potential collaboration with ASEAN on:

1. Country-specific **Infrastructure Governance Reports**
2. Building an **ASEAN Infrastructure Governance Policy Index (IGPI)**
3. [Report on quality infrastructure and Workshop infrastructure financial methods in cooperation with ADBI and ERIA
4. Green Finance and Investment Country Reviews: Renewable Energy and Energy Efficiency]

Thank you

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<http://oecd.org/globalrelations/seaprogramme.htm>

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