



MINISTRY OF FINANCE  
REPUBLIC OF INDONESIA

## **Asia-Pacific Outreach Meeting on Sustainable Development Financing**

**10-11 June 2014**

**Djuanda Hall, Ministry of Finance Complex, Jakarta**

### **Session 5: Capital market development II (Institutional investors & connecting capital markets)**

*Presentation*

#### **Connecting Capital Markets for Infrastructure Investment**

by

**Masahiro Kawai**

Tokyo University and former Dean, ADB Institute

June 2014

The views expressed in the presentation/paper are those of the author(s) and should not necessarily be considered as reflecting the views or carrying the endorsement of the United Nations. This presentation/paper has been issued without formal editing.

# Connecting Capital Markets for Infrastructure Investment

**Masahiro Kawai**

Graduate School of Public Policy  
University of Tokyo

Asia-Pacific Outreach Meeting on Sustainable  
Development Financing

Organized by ESCAP and Indonesia MOF

Jakarta, 10-11 June 2014

## Estimated needs for Asia's infrastructure investment

**Total needs estimated at \$8.3 trillion (2010-20)**

Sector/Subsector	National Infrastructure			Cross-border Infrastructure	Total (\$Bill)
	New Capacity	Replace- ment	Sum		
<b>Energy (Electricity)</b>	3,176.4	912.2	4,088.6	82.4	4,171.0
<b>Telecommunications</b>	325.4	730.3	1,055.7	--	1,055.7
<b>Transport</b>	1,761.7	704.5	2,466.1	204.6	2,670.8
<b>Airports</b>	6.5	4.7	11.3		
<b>Ports</b>	50.3	25.4	75.7		
<b>Railways</b>	2.7	35.9	38.6		
<b>Roads</b>	1,702.2	638.4	2,340.5		
<b>Water &amp; Sanitation</b>	155.5	225.8	381.3	--	381.3
<b>Water</b>	47.6	106.2	153.8		
<b>Sanitation</b>	107.9	119.6	227.5		
<b>Total (\$ Billion)</b>	5,418.9	2,572.8	7,991.7	287.0	8,278.7

Source: ADB and ADDBI, *Infrastructure for a Seamless Asia* (2009)

## Estimated required national infrastructure investment

Country	Investment Requirement, 2010-2020		Annual Savings (2012)
	Billion US\$	% of GDP	Billion US \$
<b>Southeast Asia</b>	<b>1,094.7</b>	<b>6.2</b>	<b>540.1</b>
Cambodia	13.4	5.4	NA
Indonesia	450.3	6.2	281.0
Lao PDR	11.4	13.6	1.9
Malaysia	188.1	6.7	97.6
Myanmar	21.7	6.0	NA
Philippines	127.1	6.0	NA
Thailand	172.9	4.9	109.8
Viet Nam	109.8	8.1	49.9
<b>South Asia</b>	<b>2,549.1</b>	<b>10.8</b>	<b>692.0</b>
Bangladesh	144.9	11.6	43.0
Bhutan	0.9	4.1	0.7
India	2,172.4	11.1	626.2
Nepal	14.3	8.5	7.8
Pakistan	178.6	8.3	NA
Sri Lanka	38.0	6.9	14.3
<b>Total (S Asia + SE Asia)</b>	<b>3,643.8</b>	<b>8.8</b>	<b>1,232.1</b>

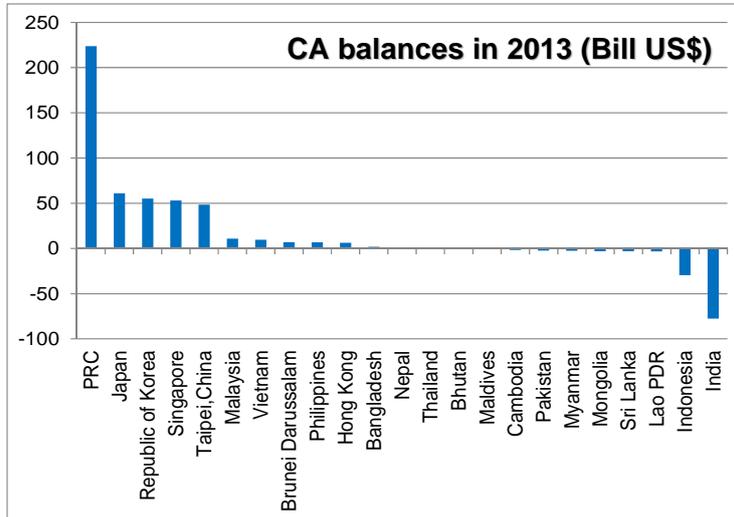
Source: Bhattacharyay, Biswa Nath, "Estimating Demand for Infrastructure, 2010-2020." In Bhattacharyay, Kawai and Nag, eds., *Infrastructure for Asian Connectivity* (Edward Elgar, 2012).

3

## Securing long-term funding

- National financial resources vary widely in terms of size, depth and diversity of financial markets
- Abundant funding opportunities globally (OECD institutional investors hold more than US\$75 trillion in assets)
- Asia as a whole has sufficient levels of savings, reflected in their current account surpluses
- Challenge is to mobilize long-term private funds (national, Asia-wide, global)
- Local currency funding highly desirable: Need to develop local institutional investors (pension funds, insurance companies, mutual funds)

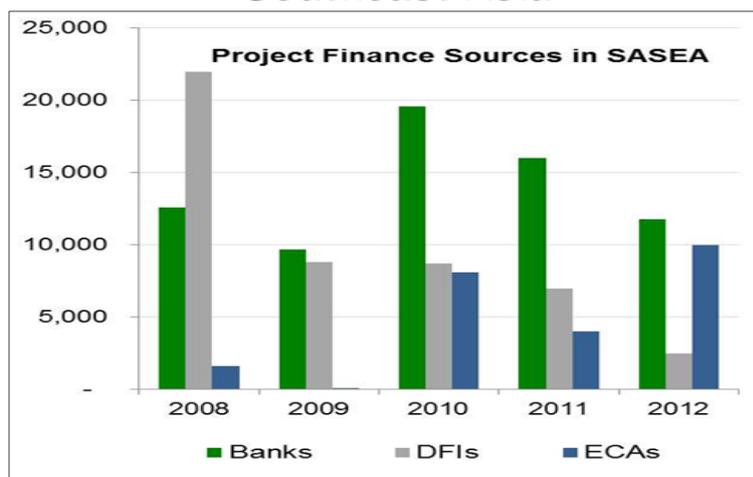
## Current account balances in Asia



Source: IMF, WEO database

5

## Project financing in South Asia and Southeast Asia



Note: DFI = Development finance institution (including MDBs); ECA = Export Credit Agency.  
Source: Infrastructure Journal Database, cited in Ray (2014)

6

## **Impediments to international infrastructure financing**

- Lack of debt instruments such as bonds for institutional investors
- Lack of appropriate financing vehicles
  - ▣ Infrastructure bonds with insurance guarantees (China)
  - ▣ Structured products (Mexico)
  - ▣ A collective trust structure (Peru)
  - ▣ A joint-owned infrastructure company (Brazil)
- Weak governance (stable public policy, predictable legal and regulatory frameworks)
- Limited administrative and absorptive capacity (availability of government officials with sufficient skills, knowledge and expertise)
- Lack of objective, high quality data on infrastructure and a clear and agreed benchmark

## **Transparency, disclosure, legal frameworks key**

- Empirical evidence suggests that the following are positively associated with US mutual fund investment in emerging markets:
  - ▣ Country-level policies such as better accounting disclosures, stronger shareholder rights, and legal frameworks
  - ▣ Firm-level policies related to greater transparency and disclosure
- Thus steps can be taken both at the country and the firm level to create an environment conducive to foreign institutional investment

Reena Aggarwal, Leora Klapper, Peter D. Wysocki, "Portfolio Preferences of Foreign Institutional Investors." *Journal of Banking and Finance*, 29 (2005)

## International infrastructure investment fund(s)

- No need to “create” a new, elaborate institution (such as a multilateral infrastructure bank), but to better utilize the existing ones to maximize impact
  - ▣ The fund can mitigate risks, providing financing for a portion of PPP
  - ▣ Its solid, transparent legal framework can also attract private sector participation (both investment and infrastructure construction & operation businesses)
- ASEAN Infrastructure Fund (AIF) a good model

## Governance issues a major concern

Country	Doing Business Rank	Construction Permitting Rank	Contract Enforcement Rank
South East Asia			
Cambodia	137	161	162
Indonesia	120	88	147
Laos PDR	159	96	104

预览已结束，完整报告链接和二维码如下：

[https://www.yunbaogao.cn/report/index/report?reportId=5\\_5413](https://www.yunbaogao.cn/report/index/report?reportId=5_5413)

