Infrastructure in Asia
Estimated US$8tn Funding Gap to 2020

Infrastructure deficit in emerging Asian economies...

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<thead>
<tr>
<th>Country</th>
<th>2013</th>
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<tbody>
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<td>OECD</td>
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<td>India</td>
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<td>China</td>
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Driving ~US$8tn investment need to 2020

Projected Need by Asset Class, 2010-2020

- Energy: 4.1
- Telecom: 1.1
- Transport: 2.5
- Water and Sanitation: 0.4
- Total: 8.1

Source: ADB, Goldman Sachs Research, McKinsey Global Institute, WEF
Infrastructure in Asia
How will it be funded

Public spending will continue to dominate in near term…

Projected Infrastructure Spend (% of GDP)

Though private investors will play a growing role

- Increasing difficult for governments to balance aggressive investment needs with tightening budgets
- US$1tn projects could be awarded on PPP basis

Budget Deficit (% of GDP), 2012

Source: ADB, Goldman Sachs Research, McKinsey Global Institute, WEF
* Projections taken from Twelfth Five Year Plan (China); others from Goldman Sachs Research and McKinsey Global
Infrastructure in Asia

Key Considerations for Regulators

1. Expertise
   - Central Banks and Financial Market Regulators have considerable expertise that could be used by procuring agencies
   - Assistance with establishing and staffing of national PPP centres

2. Coordination between Domestic Agencies

3. Coordination between International Agencies
   - More than 10 multinational PPP, infrastructure assistance and funding agencies, as well as national agencies available to other states, including WB, GIF, ADB, PPP Centre of Excellence, ASEAN and others…
   - Selecting and coordinating the right agency(ies) will accelerate development

4. Development of Required Financial and Financing Instruments
   - Many countries’ ability to fund infrastructure is hamstrung by a lack of required instruments, e.g. robust regulatory laws, credit rating agencies, and agencies, LT yield curve, etc…
5. Regulatory Capital
   - Infrastructure loans and bonds have a lower probability of default and higher recovery rate than other forms of commercial debt and as such are worthy of a different treatment.

6. Encourage the use and development of the debt capital markets
   - Ensure bidding process is bond friendly. i.e. do not require debt pricing/margin to be held from bid. Bank and bond options can alongside each other until very late in the execution process.
   - Encourage post construction bond take out
   - Review capital weighting to reduce current negative incentive for insurance companies to buy BBB rated bonds