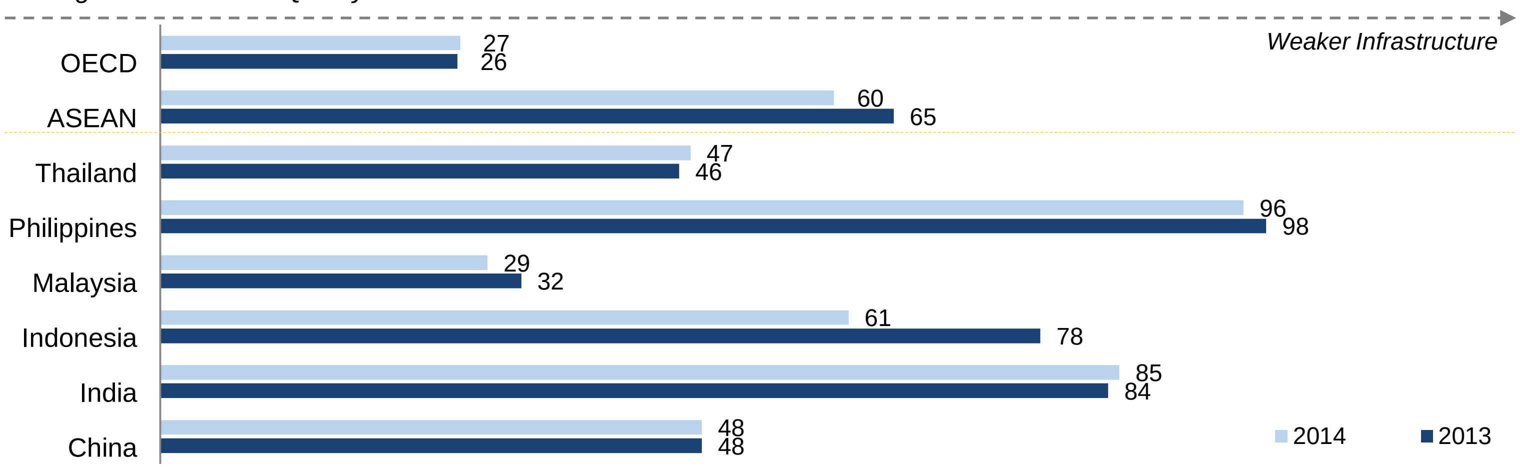
Infrastructure in Asia
Estimated US$8tn Funding Gap to 2020

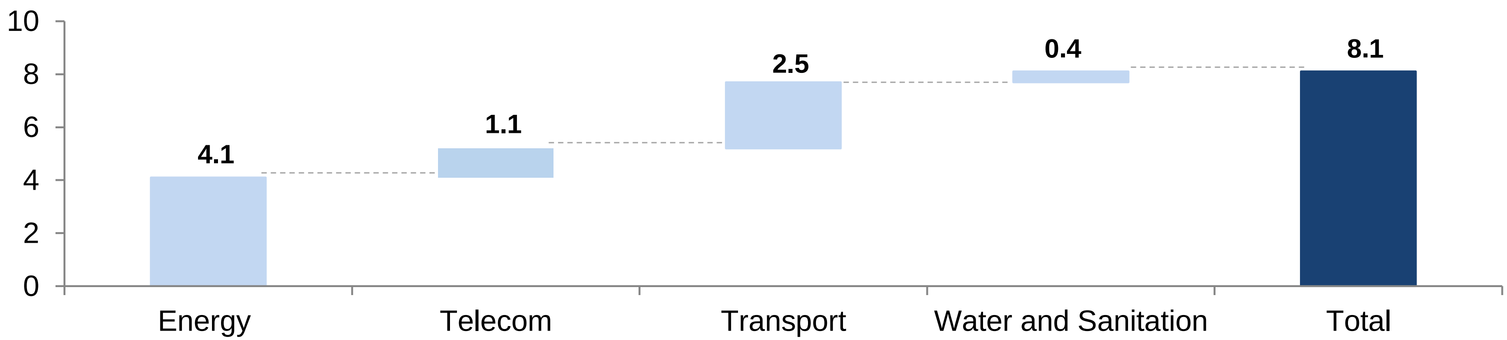
Infrastructure deficit in emerging Asian economies…

Ranking – Infrastructure Quality



Driving ~US$8tn investment need to 2020

Projected Need by Asset Class, 2010-2020
$t trillion

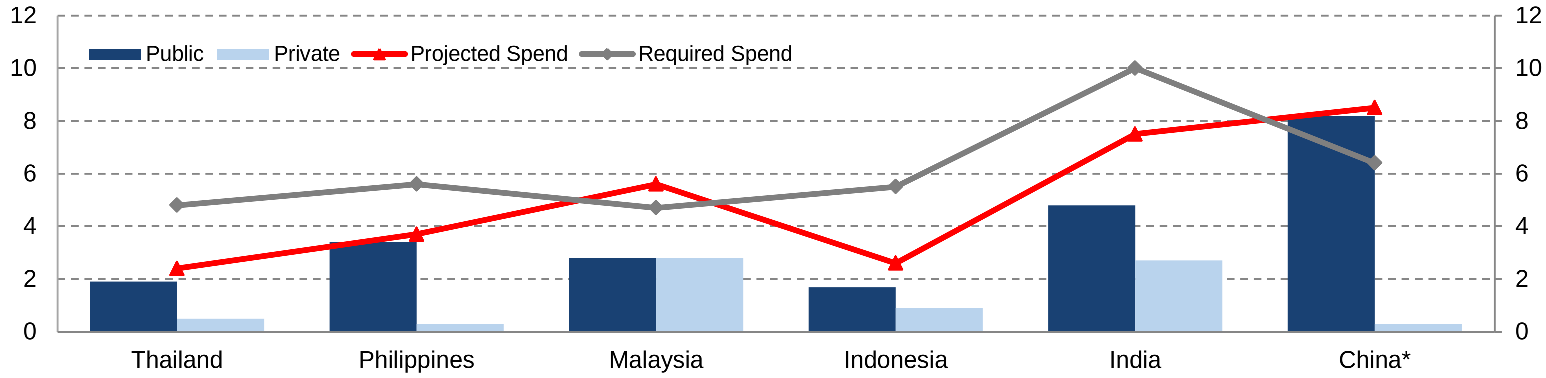


Source: ADB, Goldman Sachs Research, McKinsey Global Institute, WEF

Infrastructure in Asia
How will it be funded

Public spending will continue to dominate in near term…

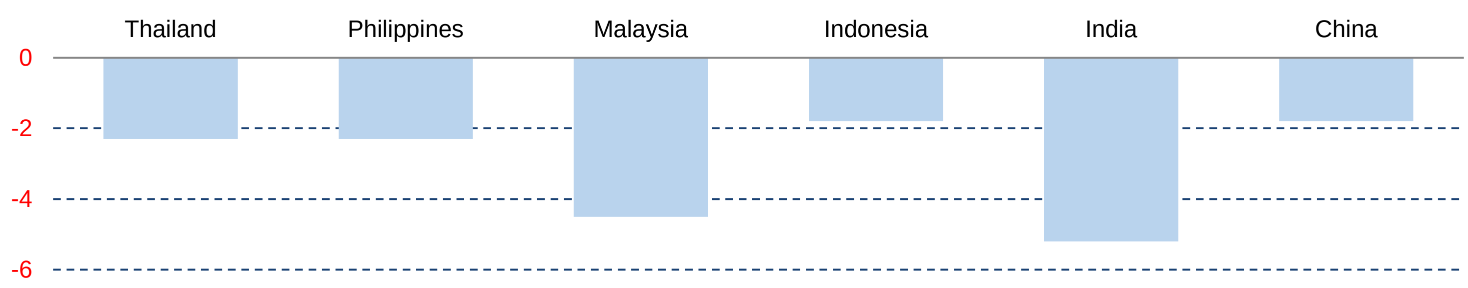
Projected Infrastructure Spend (% of GDP)



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…

Infrastructure in Asia
Key Considerations for Regulators

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