

# Comments on a paper by Prof Michael Regan

*Infrastructure financing modalities in Asia Pac – strengths and weakness*

Discussant

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# Comments

1. Excellent comprehensive draft that **succinctly** captures the *Methods, Strengths and Weakness of Infrastructure Financing*
2. Paper examines 11 sources of infra financing (@ PRESENT TIME), namely:
  - i. Government provision
  - ii. Bank loans
  - iii. Bond finance
  - iv. MDBs (Multilateral Dev banks)
  - v. IDAs (Int'l Development Agencies) and ODAs
  - vi. Pension funds
  - vii. SWFs (Sovereign Wealth Funds)
  - viii. IPOs
  - ix. PPP (Public Private Partnerships)
  - x. Securitisation
  - xi. VGF??? (viability Gap Funding)**
3. Paper also examines the **OPTIONS** for public procurement which accounts for 70% on infra spend

## Interesting to note

4. Telecom, Energy and Transport will account for 65% of future investments requirements in AsiaPac
5. (pp 8 - 10) – use of GBEs/SOEs to finance infra investments and possibility of Off Balance Sheetting, depending on Government Accounting Standards. Note: Accrual Vs Cash Accounting .....and IPSAS 32 impact on these)...**(pp 31)** mentions the challenge for many governments is the need to do fiscal repair and funding of these contingent liabilities **(is On/OFF B/S a big issue in light of increase use of PFIs particularly for developing countries lacking fiscal space?)**
6. (pp 10) – Downward pressure of Basel III on bank loans and project financing (eg AsiaPac PF declined from 31.4% to 27.7% in 2014).....the move back to home market. **(currency denomination – mainly \$?)**
7. (pp 14) – Average bond tenor in AsiaPac is around 6 years. **(how to lengthening the tenor?)**



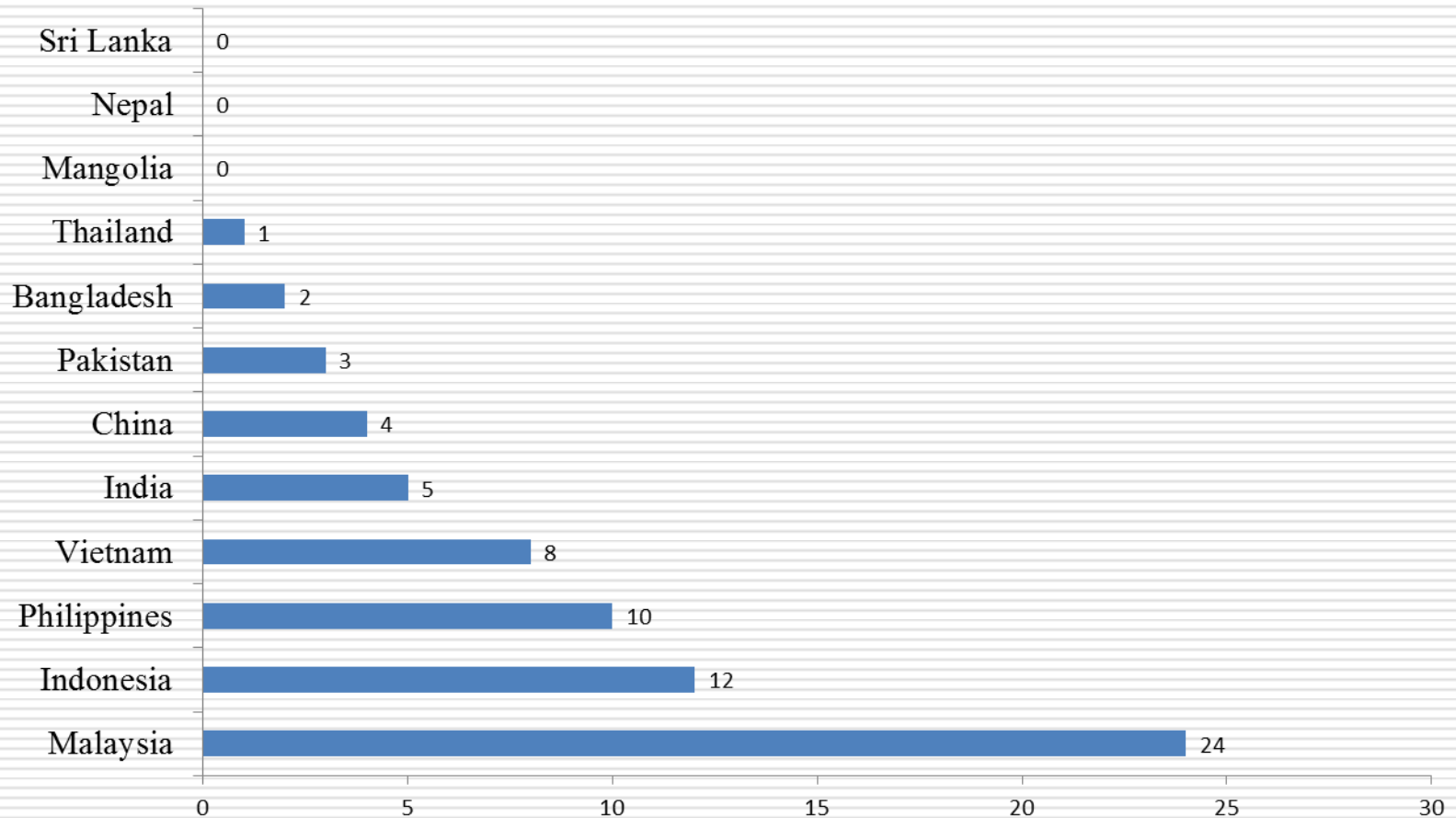
## Comments

8. (pp 16) – Asian Bond Markets & ABF/ABFI (***possible to show local currency bond markets in Asia Pac?***)
9. (pp 21) – Pension Funds (***possible to get some numbers on the size of other pension funds for local currency funding options?***)
10. (pp23) – SWFs (***ditto***). For example, Ray pp13 – ‘central banks of South Asian and SEA banks have remained detached from financing of infra projects even as they continue to invest large portions of their forex reserves in safe but low yielding US Treasury Bills) )
11. (pp 25-26) – Infra IPOs (***any data on size of these? Which Stock Exchange has good record for recycling funds through IPOs?***)
12. (pp 26 & 4) – PPP accounts for 7.5% of remaining infra investments (***possible to split between PPPs & PFIs?***)
13. (pp 26) – PPP failures (Regan 2015) ***Australian case study? (see Dr Simrit Kaur's slide on failed PPP projects – I need to track down the source of the data)***
14. Alternative financing models? (example – HK's slide)
15. Identification of Institutional and regulatory constraints and recommendations?
16. The new Elephant in the room – AIIB?
17. Appendix 1
18. A Super & enjoyable Paper



# Projects Cancelled or Distressed (% of total investment)

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# Are there Alternative Models of Financing?



1. **Pension** and insurance funds have estimated USD80 trillion for investment of which only **1% invested** in infrastructure (mainly in PFI projects in developed countries)
2. Asia has **high household saving rates** (up to 40%). Example, South Asia and SEA – annual infra need is \$385 billion; annual household savings is \$1.3 trillion..... **3 x of infra funding needs**
3. USD 95 billion of Infrastructure **sukuks** issued in more than 10 countries \*\*
4. **ODA** in 2014 was **\$135 billion** and Declining Trend (0.7% of GNI – only 5 out of 28 OECD-DAC countries met target in 2014)
5. **Global Remittances** in 2014 was \$583 billion (more than ODA and FDIs combined)
6. **CSR** (be more Development-focused rather than Business-focused) eg India's Companies Act 2013 (2% of net profits will result in est \$1.8 billion of funds)
7. **But .....**PPP accounted for annual average of USD180 billion in last 10 years but dropped to USD150 billion last year. *Why? Why? Why?*
8. The elephant in the room – the \$100 billion AIB



# THANK YOU

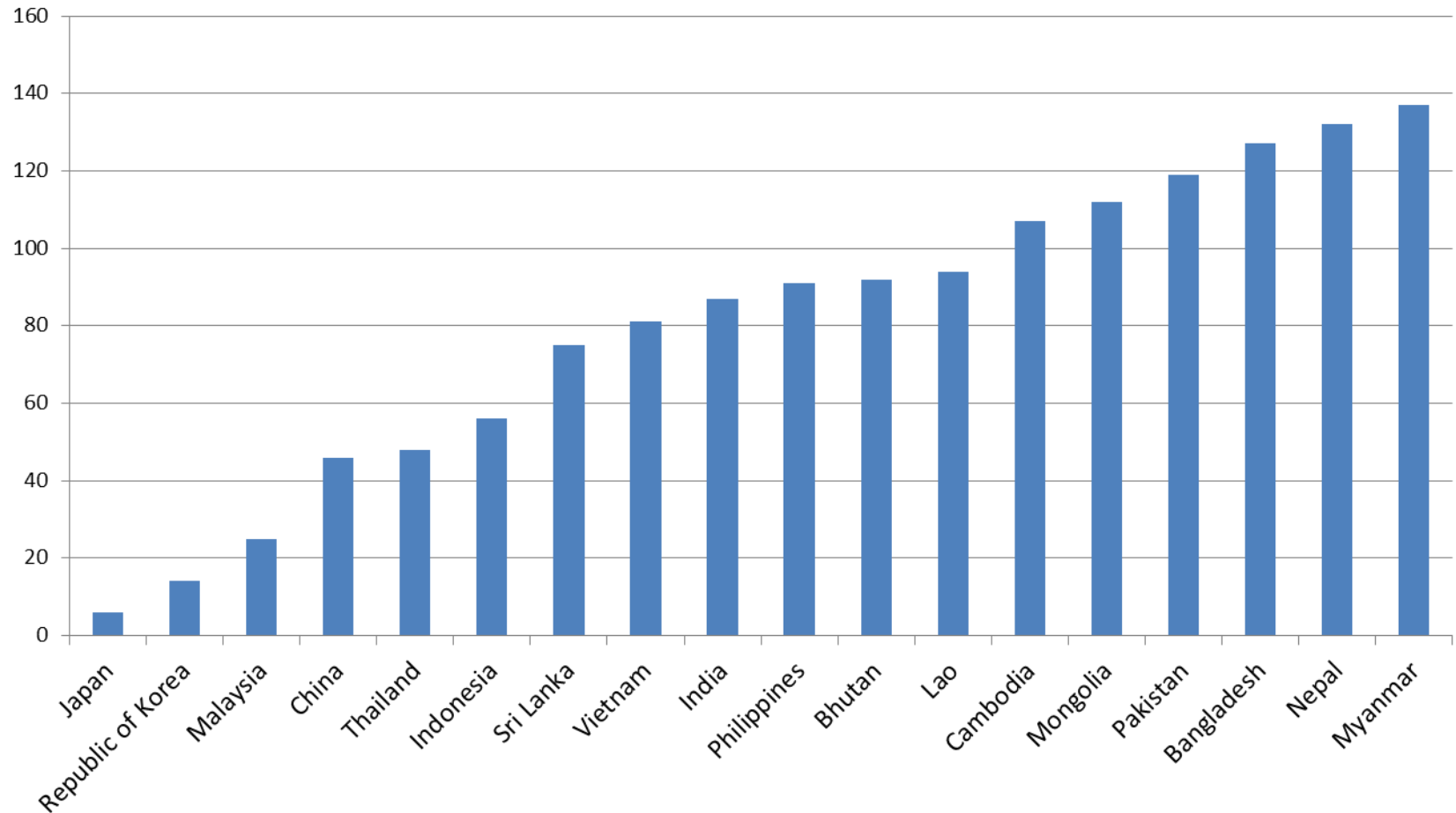
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# Infrastructure in Asian Economies: Rank (2014-2015)



# State of Infrastructure in Asian Economies

