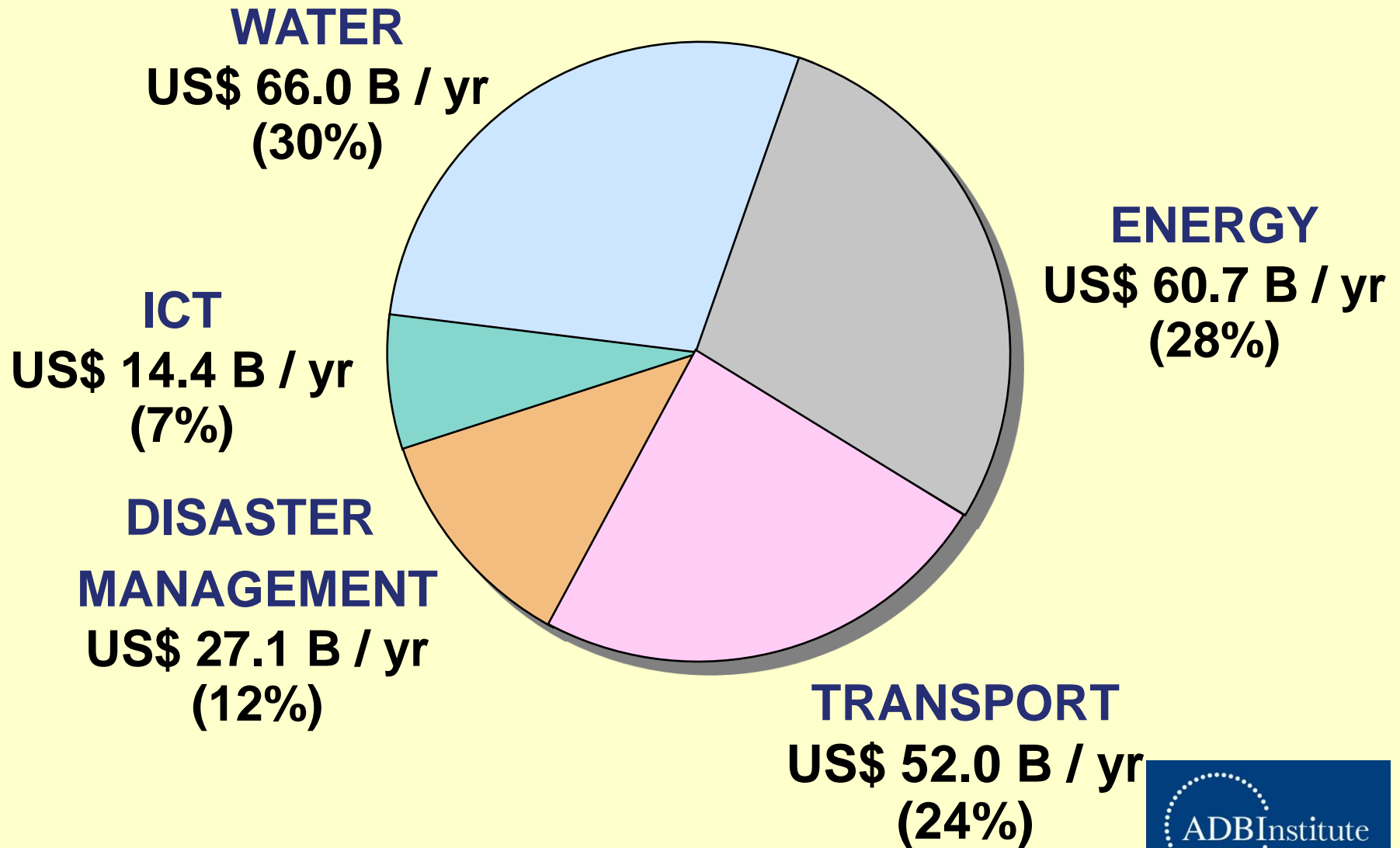


Infrastructure Financing: Roles of Capital Market

Infrastructure Investment Need & Funding Gap (2006-2010)

- Investment need: USD 228 – 600 billion a year
- Financing gap: USD 180 – 220 billion a year

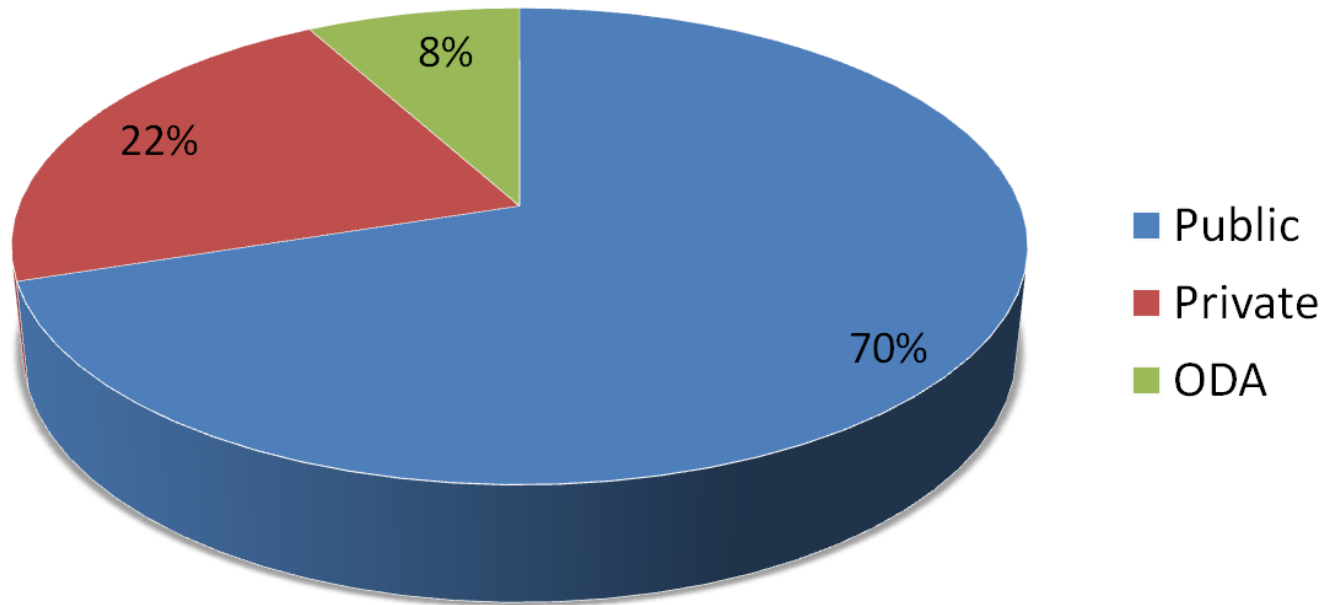
FINANCING GAP: US\$ 220 B / yr



Source: UNESCAP



Sources of Funding

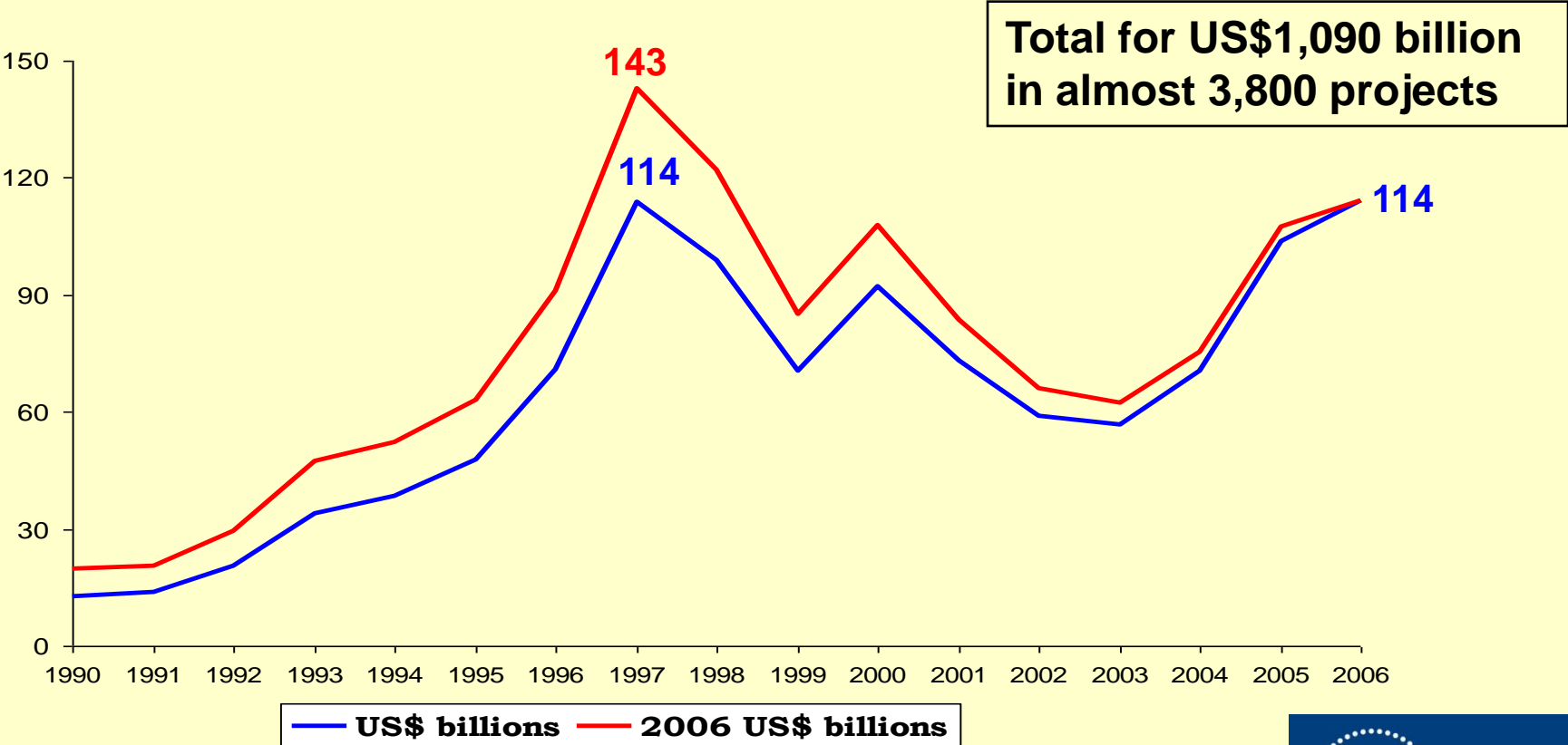


Asian governments have invested heavily in infrastructure and have been the main sources of finance for this sector

Infrastructure Investment % GDP		
0%-4%	4%-7%	Over 7%
Cambodia	India	PRC
Indonesia	Lao PDR	Thailand
Philippines	Mongolia	Viet Nam

But the size of required infrastructure investment may be too large for some government budget to fund it alone

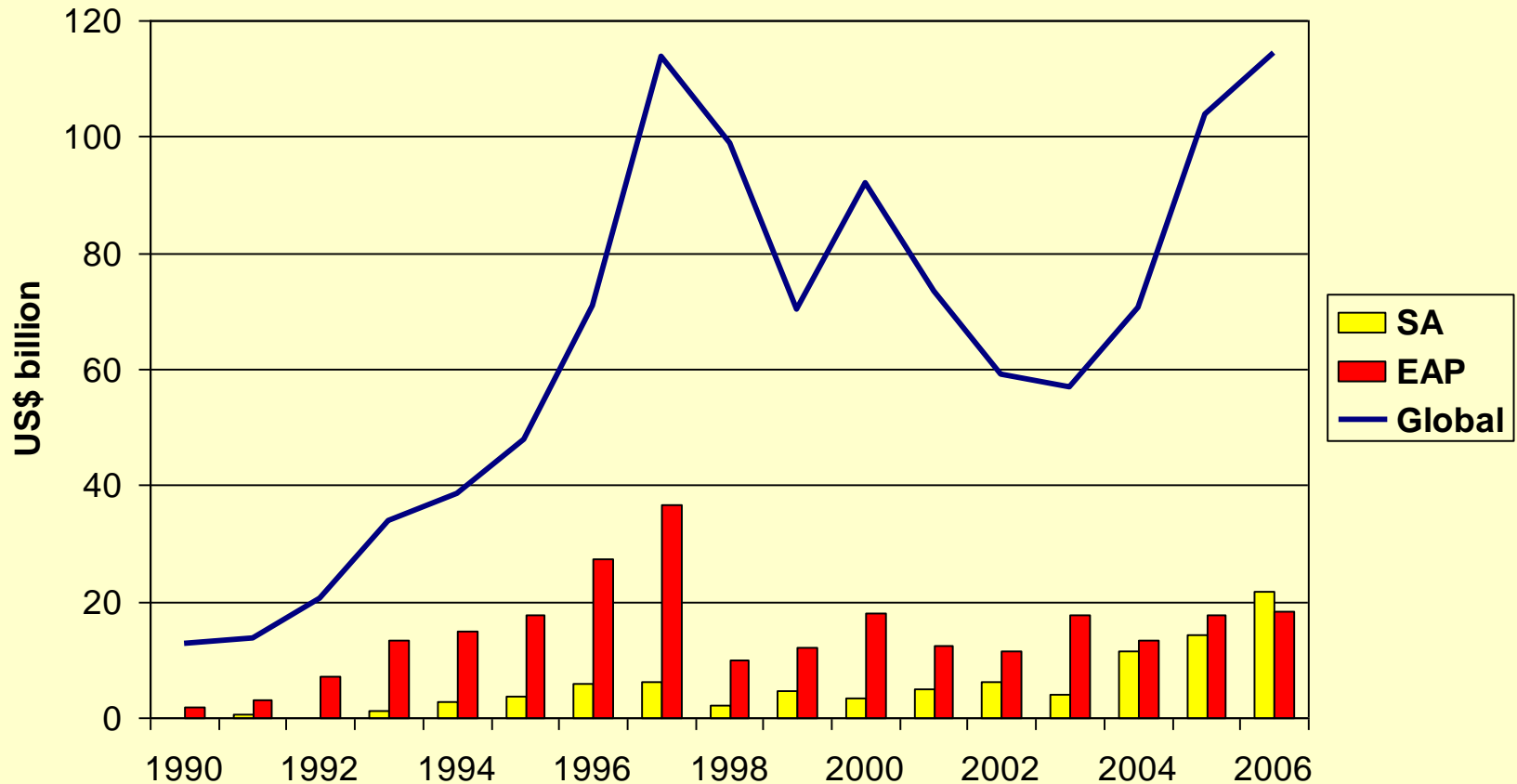
Investment commitments to PPI projects in developing countries have been rising



Source: WB's PPI Database



But private infrastructure investment commitment in East Asia has yet to return to pre-crisis level



Source: WB's PPI Database

Survey showed improved investment environment in East Asia

- ⊕ Proven and sustained economic growth
- ⊕ Steadily increasing demand across sectors
- ⊕ Sustained population growth
- ⊕ Under-penetrated markets
- ⊕ Significant regulatory reforms
- ⊕ Productive, well-educated and affordable labor force
- ⊕ Increased availability of funding/developing capital markets
- ⊕ Increased transparency in government policy making and implementation

Impediments to Capital Market Financing

- Deficiencies in bond and equity markets
 - Issuer and investor base, market liquidity, standards, governance
- Under-developed institutional investors with regulatory constraints for investment
 - Pension fund and insurance companies
 - Infrastructure funds
- Lack of credit enhancement instruments
 - Lack of foreign exchange, political, regulatory risk mitigation instruments
 - Securitization of cash flows
- Lack of exit opportunities for equity investors
 - Privatization (IPO)
 - Local infrastructure investment fund

Some ways forward

- ▶ Accelerating ABMI
 - Securitization
 - Credit ratings & enhancement
 - Clearing and settlement
 - Bond financing for infrastructure
- ▶ Expanding & enlarging ABF
- ▶ Insurance, pension and infrastructure funds
- ▶ ASEAN Infrastructure Financing Mechanism
- ▶ ASEAN Capital Market Forum
 - Harmonization of practices & standards
- ▶ Inter-linked ASEAN securities market
 - Cross-listing & trading linkages