Panel Discussion

China's Ambitious Plans

Jing Ulrich, Managing Director and Chairman of China Equities and Commodities with JP Morgan, said foreign and private-sector investors would have more opportunity to get into the mainland's big infrastructure projects.

Mrs Ulrich said vital national infrastructure was typically financed and built by governments. "But in China, the scope for foreign participation and private-sector participation is improving. We know we need trillions of yuan in the future years to achieve China's ambitious plans to build out the railway system, power grids, etcetera. I believe this will serve as a catalyst to help China develop more sophisticated financial markets, financial instruments and, as a result, attract greater foreign investment."

She also pointed to the US$8.5 trillion in untapped savings in the mainland. "A lot of this money could be lent out in the form of infrastructure loans," she said, adding that institutional investors need to buy long-term bonds, "which are actually lacking in China. So if infrastructure bonds are available in the Chinese market, they could not only finance long-term infrastructure projects, they also provide a channel for institutional investors to invest in this new vehicle."

Luring the Private Sector

Lee Jong-Wha, Chief Economist of the Asian Development Bank, said Asian countries needed to invest US$750 billion a year in infrastructure to maintain the region's competitiveness and he called for more public-private partnerships (PPP) to reach that goal.

"I believe that, to achieve our objective on sound infrastructure development, we need to increase our effort and build tangible partnerships, including with the private sector. The role of the private sector will become more and more important for regional infrastructure development. In this regard, I think an important event like the Asian Financial Forum today will be greatly beneficial to discuss these issues and attracting the interest of the private sector."

Bambang Susantono, Indonesia's Vice Minister of Transportation and Deputy Minister for Infrastructure and Regional Development, said his country needed huge investment in infrastructure such as new toll roads and revitalisation of the railway system, and that PPP was a good way to accomplish that.

Certain infrastructure projects, such as irrigation and rural development, “are not sexy for the investor,” so the government must foot the bill itself. But, he said, “infrastructure which is economically feasible and financially feasible – this is the one that we have to do our best to attract private investment to come.” He said it is up to the government to establish a transparent and accountable regulatory framework to provide private investors with clarity and certainty.

Water a Key Issue

Karen Finkelston, Director for East Asia and Pacific of the International Finance Corporation, World Bank Group, said the region faced three major challenges: lowering carbon emissions, ensuring water supplies and urbanisation. One key to meeting these challenges, she said, was leveraging the private sector.

“We are looking at some financing schemes working with Chinese financial institutions to try to help industry and small business retrofit to use water more efficiently. We’ve done similar things with energy efficiency that have been quite successful to date in creating a new asset class for the banks and a new way of financing based on the cash-flow savings that a company would experience either from reducing their energy footprint or hopefully in the future reducing their water footprint.”