

Unlock private capital for Asia's infrastructure projects: Lim Hng Kiang

Minister for Trade and Industry Mr Lim Hng Kiang says creating more bankable projects and better matching these with institutional investors can boost Asia's overall GDP.

PUBLISHED ON JUNE 03, 2014



File photo: The Singapore skyline. (AFP/File - Simin Wang)

SINGAPORE: Asia's infrastructure requirements will require more than what traditional banks can offer as loans, which is why putting the building blocks in place to unlock non-bank investments for such large-scale projects is necessary, said Minister for Trade and Industry Lim Hng Kiang.

Speaking at the World Bank-Singapore Infrastructure Finance Summit on Tuesday (June 3), Mr Lim said Asian project finance debt volumes have almost fully recovered from the financial crisis in 2009. As such, the focus now must turn to finding the best ways to harness this pool of institutional capital to support the region's infrastructural needs, he said.

He said Singapore "fully supports" developing infrastructure as a standalone asset class, separate from traditional debt and equity investments. To this end, he said three building blocks must be put in place to unlock non-bank funds – building a strong pipeline of bankable projects; mainstreaming infrastructure assets for institutional investors; and cultivating a specialist talent pool.

Publication: Channel NewsAsia

Date: 03 June 2014

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By improving financing for infrastructure projects, Mr Lim believes another US\$300 billion of infrastructure opportunity can be unlocked annually, which will boost Asia's gross domestic product (GDP) by 2.5 per cent over 10 years.

Creating bankable projects

Asia's infrastructure requirements have been projected at US\$800 billion annually until 2020, but the proportion of bankable projects has been estimated to be as low as 10 per cent, the Trade Minister noted.

"This means efforts must be made to enhance the bankability of Asian infrastructure projects, or we will lose the opportunity to bring in private sector capital, and the onus will fall on governments to provide the funding required," Mr Lim said.

He identified multilateral development banks as entities that can play a significant role in providing both technical and financial support to make projects bankable. Singapore is well positioned since it is one of the few locations globally where the World Bank is co-located with the International Finance Corporation (IFC) and Multilateral Investment Guarantee Agency (MIGA), the Minister added.

Vietnam's National Highway 20 is one example in which the World Bank provided technical support and capacity building, while MIGA helped mobilise commercial financing by providing a US\$500 million guarantee for a 15-year loan, Mr Lim said.

Mainstreaming infrastructure assets

Mr Lim said efforts must also simultaneously be made to assure private investors of the projects' viability and create guidelines to "right-site" capital for when private capital can take over from bank lending to complete a project.

"The industry could establish a set of guidelines for the structuring of project loans, such that the loans can be easily transferable between the bank and non-bank markets. These guidelines would aim to ensure that project loans have portable guarantees, readily available credit ratings and standardised project finance terms and documentation," he said.

Developing industry experts

The Trade Minister said a talent pool with specialised knowledge in developing, managing and financing projects is needed to support infrastructure as a new asset class.

To aid in this, Mr Lim revealed the Singapore Economic Development Board (EDB) will be launching the Asia Leaders Programme in Infrastructure Excellence (ALPINE), to train mid-level executives from both governments and companies in the infrastructure value chain.

The programme will start in October this year, and will be conducted by the Singapore Management University and the Lee Kuan Yew School of Public Policy, he added.

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IE Singapore has also launched an Infrastructure Development Internship Programme, in collaboration with the National University of Singapore and nine industry partners. This programme will expose students to infrastructure at a younger age, and help establish the foundation for future development.

"These measures will help to turn projects that are currently marginally bankable into bankable ones, and match these projects with private sector capital," Mr Lim stated.

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