

Financing the Implementation of the Roadmap

The implementation of the Roadmap will require substantial financial resources. A study on IMT-GT conducted in 1993–1994 with assistance from the governments of Malaysia, Indonesia and Thailand and financing from the Asian Development Bank (ADB) estimated that full development of the IMT-GT will require \$15-20 billion over a 10-year period.⁵ A large proportion of this amount covers the costs of preparing (prefeasibility and feasibility studies) and implementing (detailed design and construction) projects involving physical infrastructure and support facilities. While a more recent estimate of the financial requirements is not available at this time, the main implication is that the required financial resources are considerable, especially as the IMT-GT now covers a larger territory compared to that included in the 1993–1994 study. The challenge, therefore, is how to mobilize the requisite resources from all possible sources, especially the private sector, to support the development of IMT-GT.

⁵ ADB.1995., Indonesia–Malaysia–Thailand Growth Triangle Development Project February.

The IMT-GT governments will take the necessary steps to ensure that the respective national components of key IMT-GT programs and projects will be given priority in their public investment and expenditure programs. However, as the financial requirements for the development of IMT-GT far exceed the resources available to the governments of the three countries, there is a need to actively promote financing of priority IMT-GT programs and projects from other sources, including the private sector from within and outside of the IMT-GT; multilateral development institutions such as ADB, Islamic Development Bank, and the World Bank and its affiliate, the International Finance Corporation (IFC); and bilateral development agencies. Along this line, joint public-private sector “road shows” in major financial and industrial centers (e.g., in PRC, Japan, Republic of Korea, Taipei, China, and some European countries), as well as targeted information and communication programs will be undertaken to promote and mobilize support and financing for the IMT-GT.

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projects involving infrastructure and support facilities through various forms of public-private sector partnerships (build-operate-transfer, build-transfer-operate, build-own-operate, and other variants). A key consideration for the private sector relates to the perceived revenue generating capacity of these projects and associated risks. Efforts will be taken to promote these arrangements, including the establishment of a suitable framework to make the undertakings attractive to the private sector, such as offsetting or mitigating some of the commercial and sovereign risks they face in undertaking this type of project financing.

Financing private sector investments, whether these are in agricultural or industrial production activities or in infrastructure, raises the issue of the private sector's own access to

capital and investment funds. For relatively small projects, traditional commercial bank lending is expected to be the principal source of funding for the private sector, although alternative mechanisms will have to be developed for effectively delivering credit to small and medium-sized enterprises. For large-scale projects with longer gestation periods requiring not only substantial amounts of financing but also longer maturities, other forms of financing will have to be pursued. Some possible modalities include (i) corporate bond issues; (ii) debt and/or equity financing from IFC and the private sector window of the ADB; (iii) co-financing arrangements between commercial sources and ADB and the World Bank; (iv) funding from bilateral development agencies, such as the Japan Bank for International Cooperation (JBIC) which is engaged in both public and private sector lending; and

(v) credits from industrial country export credit agencies, which are increasingly financing transactions without the need for government counter-guarantees. The IMT governments, through their IMT-GT institutions, will disseminate to and share with the private sector information on the possible sources of domestic and international capital, including the indicative terms and conditions of financing, to the extent that these information are available.

Various financing mechanisms will be explored and developed in the course of implementing the Roadmap, considering in particular the financial products being offered by a number of development institutions such as ADB, World Bank, and JBIC. For instance, ADB provides several financial instruments, including foreign and local currency loans to national governments and subnational

governmental units, as well as debt financing to subsovereign, quasi-sovereign or state-owned enterprises on a recourse, nonrecourse, or limited recourse basis. Moreover, it mobilizes financing from other official funding agencies, commercial financial institutions, and export credit agencies, to augment its own assistance. Through its private sector window, ADB also supports private sector projects and different forms of public-private partnerships through equity investments, loans, and guarantees to mitigate the risks that the private sector cannot easily absorb or manage on its own. Several other funding agencies, such as the World Bank and JBIC, offer comparable financial products. The IMT-GT will secure the assistance of its development partners in arranging suitable financing for high-priority IMT-GT projects.

