# High-Level Seminar on Quality Infrastructure Investment in Asia

*Organised in cooperation with the ADBI and with the support of the Japanese government*

14 July 2022
Bali, Indonesia
Kecak Ballroom at the Sofitel Bali Nusa Dua Beach Resort

## Opening session

<table>
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<th>Time</th>
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<tbody>
<tr>
<td>9:00-9:15</td>
<td>Opening Remarks</td>
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<tr>
<td>• Yoshiki Takeuchi, Deputy Secretary-General, OECD</td>
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<td>• Seungju Baek, Deputy Dean, ADBI</td>
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## Session I

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<th>Time</th>
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<tr>
<td>9:15-10:45</td>
<td>Debt sustainability of infrastructure investment</td>
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| Infrastructure investments remain important to promote growth and reduce poverty. Debt that finances productive and sustainable infrastructure can lead to higher income that could eventually offset the cost of the debt service and help to balance the risks to debt sustainability. In contrast, infrastructure investments with low or even negative rates of economic return can lead to unsustainable debt levels and can trigger a spiral of lower sovereign credit ratings and higher debt service commitments.  
The situation is exacerbated in emerging and developing Asian economies given the limited fiscal space for investing in the development of infrastructure even when there is high demand for it.  
Data on debt levels is limited for emerging and developing economies in Asia and even IMF data on public debt reveals gaps for these countries. Data on debt levels induced by investments in infrastructure projects is specifically scarce and more efforts by countries are needed to improve debt reporting and debt statistics in this context.  
Questions addressed in the session are:  
• How can Asian countries continue to invest in infrastructure to boost growth while balancing fiscal budget constraints?  
• What can the international community do to help Asian economies to avoid or help with debt distress?  
Moderator: Carmine Di Noia, Director, Directorate of Financial and Enterprise Affairs, OECD  
• Seung Hyun (Luke) Hong, Group Head and Lead Economist Fiscal Policy, AMRO  
• Delphine Moretti, Regional Advisor, Fiscal Affairs Department, International Monetary Fund (IMF)  
• Paroche Hutachareon, Senior Expert on Bond Market Development, Public Debt Management Office, Ministry of Finance, Thailand  
• Jae Hyung Kwon, Head of South Asia Operations, Multilateral Investment Guarantee Agency (MIGA) |

## BREAK 15 min

## Session II

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<td>11:00-12:30</td>
<td>Addressing what sustainability means for infrastructure investment in Asia</td>
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<td>As demand for infrastructure grows in the Asia-Pacific region, so too does the need to incorporate sustainability aspects in investment decisions for infrastructure. Yet, the concept of sustainable infrastructure is relatively new, and the Asia region has much to advance to integrate and implement sustainable infrastructure considerations. The majority of infrastructure financing in the region, especially in emerging economies, comes from public actors including state-owned enterprises. Attracting private finance will be important to meet the demand for</td>
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infrastructure projects, which in turn requires robust conditions, which reflect the financial risks and sustainability expectations associated with these types of assets.

Developing a market for sustainable infrastructure assets, including specific financial instruments is also important when it comes to financing infrastructure projects. The role of development finance institutions can be especially relevant in providing guarantees for risk mitigation purposes, as are infrastructure bond markets, which are relatively new in emerging countries in the region, as well as sovereign and non-sovereign green bonds.

The availability of sustainability data and consistency of reporting by infrastructure companies and other practitioners in the sector presents further obstacles to private investment, and hampers investors’ ability to properly assess sustainability risks for specific projects. Possible reasons are the lack of capacity to collect and report sustainability metrics, as well a fragmented landscape of definitions and methodologies to define and measure the sustainability or ESG aspects in infrastructure projects. Improving reporting standards of infrastructure projects could also greatly contribute to these developments.

Questions addressed in the session are:

- How are Asian investors integrating ESG into infrastructure investment decisions, and what obstacles do they face?
- What are the priorities towards improving the consistency and comparability of ESG metrics that can be applied in the infrastructure sector?
- What is the role of the public sector in developing the market for private finance in sustainable infrastructure projects?

Moderator: Mamiko Yokoi-Arai, Deputy Head of Financial Markets Division, OECD

- Seth Tan, Managing Director & Head of Infrastructure & Development Finance Structured Finance Department, Asia Pacific, Sumitomo Mitsui Banking Corporation
- Noriyasu Matsuda, Resident Executive Officer, Regional Head for Asia and Pacific, Japan Bank for International Co-operation
- Aman Garg, Director, Infrastructure Policy & Planning Division, Department of Economic Affairs, Ministry of Finance, India
- Hasrul, Head of Section for PPP Project Preparation, Ministry of Finance, Indonesia

Lunch 12:30-14:00

Session III

14:00-15:30 Infrastructure resilience

The Asia-Pacific region is highly exposed to climate-related risks including extreme temperatures, droughts, floods in monsoon regions and rising sea levels. Rapid urbanisation in areas exposed to climate risks renders infrastructure networks and services prone to damages and disruptions, which in turn affect business continuity, economic growth and livelihoods. The Asia-Pacific region relies significantly on agriculture and is therefore particularly vulnerable to impacts of floods, water scarcity or droughts.

The location, design, construction and operation of infrastructure will have profound impacts on countries’ resilience to climate change. Infrastructure is a long-lived, capital-intensive asset. Therefore, mainstreaming climate resilience in infrastructure’s planning is essential to support sustainable development in the Asia-Pacific region. In addition, climate impacts can have cascading effects suggesting better regional cooperation.

Integrating climate resilience in infrastructure requires climate risk information as well as knowledge and capacity about resilience measures. Furthermore, infrastructures governance can be fragmented and funding not readily available. Given the uncertainty and high upfront cost of grey infrastructures, nature-based solutions have a great potential to improve infrastructure resilience. Nevertheless, their uptake remains low in the Asia-Pacific region.
Break 30 min

Session IV

Investing in energy infrastructure for the climate transition

Achieving committed decarbonisation objectives and putting countries on a pathway towards net-zero emissions requires significant global investments in clean energy infrastructure. According to the International Energy Agency (IEA), clean energy investment in emerging and developing economies needs to expand by more than seven times to achieve net-zero emissions by 2050.¹ At the same time, energy demand in Asia is likely to significantly rise in the next twenty years.

The Asia-Pacific region attracted the highest overall levels in investment in low-energy carbon transition in 2021 relative to other regions. It also realised the highest overall rate of growth in this area, at 38%, with electrified transport being the biggest driver.² However, Asia is still at the early stages of its energy transition, and major regional economies continue to invest in fossil fuel energy production facilities. This could lock in emissions for several decades, or become stranded assets as markets transition to net-zero.

With the renewable energy sector developing at a slow pace, the question remains how Asia will feed its growing energy demand and if countries in the region will rely on oil and gas while moving away from coal. Liquefied natural gas (LNG) is on the rise and could present a transition option. However, countries need to look towards a future with cleaner energy sources, considering its opportunities and the falling costs of clean technologies.

Some Asian countries have ambitious plans to make renewable energy a major source of power, given their large renewable energy potential, but hurdles remain. Obstacles towards these goals are not only the need for more investment, but also challenges in the energy sector, including the highly fragmented nature of grid or operational issues within off-grid areas. Continuous fossil fuel subsidies also pose large barriers.

A significant amount of funding is required to facilitate the transition. Where public finance will continue to be important in Asia, private finance from regional and international actors is likely to have a significant share in climate financing. Blended finance instruments, including concessional capital, guarantees and risk insurance are all tools that can be used to help attract the capital needed for the sector. In addition, the implementation of clear reforms, such as carbon pricing and improved investment frameworks are necessary. Further, new technology, such as floating solar panels, present a great opportunity for Asia and could attract international investment.

Questions addressed in the session are:

- How is the regional policy environment shaping incentives for investment in low-carbon energy

¹ IEA (2021). Financing clean energy transitions in emerging and developing economies.
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<th><strong>infrastructure versus less renewable and higher emitting alternatives?</strong></th>
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<td>• What successful policies are being pursued in the region and elsewhere to align private investment with climate transition goals?</td>
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<td>• How can governments and investors ensure infrastructure projects harness global technological developments in low-emission energy generation, storage and transmission?</td>
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**Moderator:** Pitchaya Sirivunnabood, Capacity Building and Training Economist, ADBI

- Susumu Takahashi, Infrastructure Finance Specialist, Global Infrastructure Facility
- Lavan Thiru, Executive Director, Infrastructure Asia
- Jang Ping Thia, Lead Economist and Manager of Economics Department, Asian Infrastructure Investment Bank (AIIB)
- Dina Azhgaliyeva, Research Fellow, ADBI

### Closing Session

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<th><strong>17.30-17.40</strong></th>
<th><strong>Closing remarks</strong></th>
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**Reception and dinner - 18.00-20:00**