

Foreword

In line with the globalisation trend, it becomes inevitable for the South East Asian economies to prepare themselves to move towards the path of a more border-less and well-connected world. Evidence has shown that countries can gain a lot from internationalisation, especially from trade, knowledge and information exchanges, and flows of people and goods. One of the key targets of ASEAN in achieving a dynamic, vibrant, globally connected and strong region is to fully realise ASEAN Connectivity which consists of three pillars, namely, physical connectivity, people-to-people connectivity, and institutional connectivity. Physical connectivity is especially important because it is not only a means to connect places in South East Asia but is also vital to support people-to-people and institutional connectivity. This is documented and highlighted in several leading studies and reports, in particular, the Master Plan on ASEAN Connectivity (MPAC) and the Comprehensive Asia Development Plan (CADP).

To realise the MPAC, the region needs to improve and accelerate several aspects, including financing and coordination. Given the situation where there is a lack of public funds to finance infrastructure development, calls have been made in various ASEAN countries for an increased role of the private sector. One of the popular schemes is the Public Private Partnership (PPP) model. Lack of financing is one of the most common problems causing delays in infrastructure development and is closely linked with other decisive factors like the regulatory framework, institutional settings and market structure. Searching for solutions to address this problem will eventually help in resolving other interlocking obstacles. Thus, at the regional level, it is important to perform stronger, more efficient and more effective coordination and cooperation, especially in developing cross-border infrastructure.

In this regard, the ASEAN Connectivity Coordinating Committee (ACCC) has commissioned the Economic Research Institute for ASEAN and East Asia (ERIA), which has been a perennial supporter of ASEAN Connectivity and has been deeply involved in the preparation of the MPAC and the CADP,

to conduct a study on financing modalities in South East Asia to accelerate the realisation of the MPAC. For this study, ERIA set up a team composed of 13 scholars and experts. This report titled “Financing ASEAN Connectivity” is the final output of their hard work and commitment.

This report is important because it provides a comprehensive picture of the infrastructure situation and policy in ten ASEAN Member States (AMSs) and gives an analysis of fundamental problems. It also presents principles of PPP policy that recognize the uniqueness of South East Asia and thereupon offers recommendations for concrete actions.

In particular, the report notes that different stages of infrastructure policy, financing method, and financial capacity in the AMSs should be recognised as unique features. It also takes into account innovative ways of financing in search for specific modalities that will suit specific AMSs. Therefore, the key to accelerating PPP development in South East Asia is to apply innovative financing without jeopardizing the economy.

Concrete steps must be taken by ASEAN leaders to realise better connectivity in the region. There are identified challenges ahead, especially in expanding the markets (including financial and capital markets, construction market, and related services markets), improving business climate, working from planning to implementation stages, realising cross-border infrastructure, and getting potential, yet unutilised, funds. To be realistic, many of the above can only be addressed in the medium term period; and while efforts to address them must be done, short-term innovations may be needed to improvise and provide factual immediate solutions. These can be answered through appropriate regulatory framework and consistent law enforcement, systematic capacity building, efficient and effective institutionalised working mechanisms, and strengthened regional coordination to harmonise cross-border cooperation.

The list of tasks to do is long but the region can support one another, started by having regular and focused communication and interaction in an equal forum. It is for this reason that the report’s major recommendation is to establish the ASEAN PPP Forum. To accompany this and support the

implementation of PPP, a set of customized PPP Guidelines, or ASEAN PPP Guidelines, would be needed.

Finally, this report could not have been completed without the valuable support from the ASEAN Secretariat, the active contributions from the members of the ACCC and the AMS government officials, as well as the World Bank Infrastructure Policy in Singapore. ERIA extends its highest appreciation to everyone who has been involved in this study. It also sincerely hopes that this report can be a valuable contribution in the field of infrastructure development in South East Asia.

Jakarta, November 2014

A handwritten signature in black ink, reading "Hidetoshi Nishimura". The signature is written in a cursive, flowing style with a large initial "H".

Hidetoshi Nishimura
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