

## **Eddie Yue: Asian Development Bank – working to reduce poverty in Asia**

Statement by Mr Eddie Yue, Deputy Chief Executive of the Hong Kong Monetary Authority, and Head of Delegation, Hong Kong, for the 49th Asian Development Bank Annual Meeting, Frankfurt am Main, 3–5 May 2016.

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I would like to thank the Government of Germany for hosting the 49th Annual Meeting of the Asian Development Bank (ADB), and the Management and staff of ADB for the excellent arrangements of the event. I would also like to congratulate ADB for the successful conclusion of the Eleventh Replenishment of the Asian Development Fund, which would provide critical resources to ADB to further its work in poverty reduction in Asia.

ADB is approaching its 50th Anniversary this year. Over the past fifty years, Asia has undergone tremendous development. The economic miracle in Asia, together with the important work of the Bank, have lifted millions of people out of poverty and substantially improved our standard of living. After decades of rapid growth, however, there have been signs that the trend growth of the region is slowing. This reflects, to a considerable extent, supply-side constraints on potential output. In particular, a number of emerging economies in the region have been held back by infrastructure bottlenecks. As I have noted during the past few Annual Meetings, to sustain growth and propel the economy to the next stage of development, boosting infrastructure investment is a top priority for many developing members in the region.

The infrastructure demand in Asia is huge. ADB estimates put the overall infrastructure investment needs of Asia at US\$750 billion per annum over the 2010–2020 period. In the meantime, there is no lack of investors interested in infrastructure investment or financing. Despite a generally longer investment cycle, infrastructure projects can offer relatively stable returns and a hedge to inflation. That is why sovereign wealth funds, insurance funds and institutional investors have shown a growing interest in infrastructure investment in recent years.

However, despite this increasing interest in infrastructure investment, there are significant impediments in channeling savings into infrastructure financing in emerging Asia. Put it in the language of bankers, there is a shortage of “bankable” projects, due to lack of a credible public-private partnership (PPP) framework; deficiency in regulatory regime and legal environment for contract enforcement; lack of transparency for monitoring project implementation; and political uncertainty.

The above impediments call for coordinated efforts to facilitate financial intermediation, lower barriers to investment, enhance PPP standards, and improve project governance and delivery. A number of international and regional efforts have been made on this front, including but not limited to the establishment of the Global Infrastructure Hub by G20, the launch of the Global Infrastructure Facility by World Bank, and the setting up of the new Asian Infrastructure Investment Bank focusing on promoting infrastructure development in the region.

To contribute to the concerted efforts by the international community, the Hong Kong SAR Government has recently asked the Hong Kong Monetary Authority to establish an Infrastructure Financing Facilitation Office (IFFO). As its name suggests, IFFO aims to provide a platform to bring together key stakeholders, including developing countries, multilateral development banks, potential investors and financiers (e.g. private equity funds, sovereign wealth funds, banks etc), project developers such as corporations capable of developing and operating large-scale infrastructure, and professional service providers. Through information exchange, experience sharing and capacity building, we hope to facilitate more efficient and sustainable infrastructure investment flows to developing Asia.

IFFO will seek to collaborate with other development partners in the region and so far we have received support from a number of them including ADB. If everything goes smoothly, IFFO will be formally inaugurated this summer.

As an international financial and business center in the region, Hong Kong, China has long been playing an active role in supporting infrastructure financing in Asia. By leveraging on our unique position as an IFC, we hope the IFFO initiative will help mobilise private sector financing and bridge the gap between investors and viable projects. We look forward to working closely with our partners in this process.

Thank you.