Asian Development Bank

6 March 2019

Submission 16

Committee Secretariat
Foreign Affairs, Defence and Trade Committee
Department of the Senate
Parliament House
Canberra ACT 2600
Australia

Subject: Asian Development Bank’s Submission for the Export Finance and Insurance Corporation Amendment (Support for Infrastructure Financing) Bill 2019

Dear Sir/Madam,

The Asian Development Bank (ADB) is pleased to make this submission in relation to the Export Finance and Insurance Corporation Amendment (Support for Infrastructure Financing) Bill 2019 (the “Bill”) placed to the Australian Senate.

Infrastructure is a key driver for economic growth. For the Asia Pacific region to maintain its growth momentum, eradicate poverty, and respond to climate change, higher levels of investment in infrastructure are required. In the ADB’s special report, Meeting Asia’s Infrastructure Needs, it estimates that USD26 trillion is needed over the 15-year period 2016 to 2030, or USD1.7 trillion a year. This includes climate-adjusted costs. For the Pacific region, USD46 billion is needed over the same period. Though this amount may pale in comparison to Asia’s investment requirements, this represents 9.1% of regional GDP which is higher when compared to Asian sub regions. Hence the relative burden is higher for the Pacific than Asia. According to the same report, current estimated annual investment in infrastructure in the Pacific is USD1 billion, however, USD3 billion is needed annually representing a gap of 6.9% of GDP. The needs are large and mobilizing both public and private finance is needed to reduce or eliminate this gap.

ADB is helping improve infrastructure and services to reduce costs, manage risks, and enable value creation across the Asia Pacific region. In the Pacific, ADB’s focus on resilient growth is helping shape a sustainable development path. Since 2012, ADB has financed over 120 megawatts of renewable energy across the Pacific—about one-fifth of total installed capacity. From 2010 to 2016, transport operations delivered more than 1,000 km of roads, 130 bridges, 19 airports, and 11 ports and wharves. From 2008 to 2018, ADB’s urban investments have improved water supply services for more than 400,000 people and delivered access to improved sanitation services to more than 100,000 people. By 2020, ADB’s investments will have helped connect almost all Pacific countries to broadband internet—dramatically reducing the costs of connectivity and extending access to international markets.

The infrastructure financing needs are tremendous in Asia and the Pacific. Through working together, countries and partners can jointly support transformational projects. ADB welcomes the Australian Infrastructure Financing Facility for the Pacific (AIFFP) announced by Prime Minster Scott Morrison in late 2018. This significant increase in official financing for infrastructure in the Pacific will complement well the expanded mandate of EFIC to support increased private financing in the Pacific. This marriage of public and private investment will be a "win-win" for Pacific countries.

ADB also appreciates that both the expanded mandate of EFIC and introducing AIFFP will not only help meet the Pacific’s infrastructure financing needs but will also be cognizant of issues such as transparency in their operations and debt distress.

Australia is a critically important partner for ADB. It is ADB’s founding member and the fifth largest shareholder. ADB’s coordination with the Department of Foreign Affairs and Trade (DFAT) is strong and occurs regularly, guided by high-level meetings. ADB and Australia’s strong partnerships are underpinned by their close strategic alignment of development goals in the Asia Pacific region.

Transformational infrastructure investments would bring economic prosperity to the Pacific countries. The Bill will enhance Australia’s ability to address the infrastructure needs of the Pacific region by boosting EFIC’s ability to support commercial participation in infrastructure. The Bill will also enable timely implementation of the AIFFP. Thus, ADB welcomes the proposed Amendment which enables EFIC to finance overseas infrastructure projects, increases its callable capital and enables it to administer AIFFP loans. We believe it is also in Australia’s national interest to work towards reducing poverty and promoting economic stability in its Pacific neighborhood.

Sincerely yours,

Erma Xiaoqin Fan
Regional Director
Pacific Liaison and Coordination Office
Pacific Department
Asian Development Bank