

Special feature brought to you by PwC

Strategy in Action

Asia's infrastructure bonanza

Rising demand for infrastructure development in Southeast Asia will offer opportunities for businesses in the region

EVEN as the slowdown in the global economy continues to weigh on countries in Asia, one bright spot on the horizon is the expected surge in demand for infrastructure development in the region. The region's rapid urbanisation will lead to many infrastructure challenges – road and rail networks, maritime and port infrastructure, power, waste management and clean water, and filling the technological gap in the developing ASEAN nations.

"The infrastructure gap across the ASEAN region is very significant and we see a huge need for both economic and social infrastructure," says Mark Rathbone, PwC's Singapore-based Asia Pacific Capital Projects & Infrastructure Leader.

The Asian Development Bank estimates that the total infrastructure investment needs in Asia to be US\$8 trillion from 2010 – 2020, with power and transport being sectors requiring the greatest investments.

"It is imperative for ASEAN countries to invest more into infrastructure, especially those relating to national and regional connectivity in order to maintain economic growth, drive better integration of the regional economies and so achieve economic prosperity. However, most countries in ASEAN do not have sufficient government funding, regulatory framework, capacity or processes needed to develop infrastructure," says Mr Rathbone.

Both China and Japan will be key drivers in infrastructure development in Southeast Asia in the coming decades.

Japan has established a sovereign wealth fund – Japan Overseas Infrastructure Investment Corporation for Transportation & Urban Development (JOIN) – in 2014 to promote the country's infrastructure system in the overseas markets, including Southeast Asia.

Another initiative that will spur investment in Southeast Asia's infrastructure is China's One Belt, One Road (OBOR) plans. The primary objective of OBOR is to improve connectivity across the region and Western Europe with a focus on developing economic corridors. To help finance projects under the initiative, the Chinese government led the formation of the Asian Infrastructure Investment Bank (AIIB).

With all 10 ASEAN countries being members of the AIIB and the region being the focus of China's OBOR, we expect a huge inflow of infrastructure investments and financing opportunities into the region.

Singapore's role

As a regional centre for business and finance, Singapore plays a key role in infrastructure development in Southeast Asia. Reflecting its importance in this space, the World Bank set up an infrastructure and urban development hub in Singapore in 2015. The city-state is



"Throughout the time I spent on projects in the region in my early days in Singapore, it became clear to me and PwC in Singapore that there was substantial opportunity in the infrastructure market."

also increasingly serving as the regional headquarters for many urban and infrastructure solutions providers, including Chinese and Japanese corporations looking to enter the region.

"Singapore acts as the financing hub for infrastructure in the region," says Mr Rathbone. He adds, "Through its well-developed capital market, Singapore is a vital 'intermediary' for all forms of capital looking for projects to invest regionally. Singapore's 'infrastructure economy' has developed on the back of this and strong government support.

"Further, Singapore has developed the supporting professional services ecosystem necessary to support infrastructure development such as project finance, construction lawyers, financial advisors like us at PwC, technical consultants in engineering and architects." This professional services sector plays a critical role in procurement, financing, construction and operations of large, complex capital projects.

Singapore's experience and know how is now being used to support regional governments across Asia. PwC has worked with government agency IE Singapore on capacity building programs to help train government officials in Southeast Asia continues to develop infrastructure programs effectively.

Leveraging his experience of the Public Private Partnership (PPP) market and stadium financing in the UK, Mr Rathbone

moved to Singapore in 2005 to advise the Government on the development of the Sports Hub. As that project progressed from the feasibility stages to project structuring and procurement and now operations, PwC continued to advise the government throughout the process.

"I started my career at PwC in London in the mid-nineties, and quickly identified infrastructure as a sector that really interested me – on one hand, the work is demanding and very diverse, in that you advise both government and private sector on a range of issues from feasibility studies to deal structuring, procurement and funding and of course risk. On the other hand, it is personally rewarding, as you are taking a very active role in developing assets that really do improve people's lives over the long term.

"Throughout the time I spent on projects in the region in my early days in Singapore, it became clear to me and PwC in Singapore that there was substantial opportunity in the infrastructure market and so, I decided to permanently transfer here to set up and lead our Capital Projects and Infrastructure practice," he says. The decision to base himself in Singapore was an easy one to make – Singapore is very much a hub for infrastructure professionals in the region, a world class city with incredible infrastructure and links into the rest of Asia very effectively.

"I have remained here because of the diverse landmark projects that we have been involved in within Singapore and many complex

projects in the region from our ongoing work on high speed rail projects to power and water projects, ports, roads and rail, and of course stadiums which remain close to my heart."

|| This is the second instalment of a five-part series 'Strategy in Action', which is brought to you by PwC. The next instalment will appear on Nov 10

How PwC brought it together for CITIC in Myanmar

CITIC Group Corporation (CITIC), one of the biggest conglomerates in China, chose a PwC Capital Projects & Infrastructure (CP&I) advisory team led by PwC's Asia Pacific CP&I Leader, Mark Rathbone to advise it on bids to develop three projects for the Government of Myanmar.

The projects – a deep-sea port, an industrial park, and an integrated residential area – are located in Myanmar's Kyauk Phyu Special Economic Zone (KP SEZ), strategically positioned between China, India and Southeast Asia. PwC advised CITIC on the strategy and business plan, conducted a macroeconomic study of KP SEZ's opportunities and positioning, built financial models to assess all three projects, and provided financial analysis to support decisions on the bids.

The team also managed the master plans, including detailed reviews from an urbanisation efficiency perspective, and drove the creation of a viable business case for the integrated SEZ development. In November 2014, CITIC submitted bids for the deep-sea port and industrial park projects.

Said Yuan Shaobin, Vice-Chairman of CITIC Construction, "Through proactive and creative thinking, the PwC team made a considerable contribution – not only to the bidding proposals, but also to other work such as making the demonstration video and creating the bid presentation."