

THE STAR

DATE: 1/12/2010

Asean infrastructure fund by early 2011

Govt setting up SPV, determining projects to be implemented

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KUALA LUMPUR: The Asean Infrastructure Fund (AIF), which is aimed at supporting infrastructure projects in the region, could come on-stream within the first quarter of next year, said Second Finance Minister Datuk Seri Ahmad Husni Hanadzlah.

He said the Government was currently in the process of setting up a special purpose vehicle and is determining the projects to be implemented under the AIF.

"We hope to set up the special purpose vehicle and determine what the projects are by year-end. By the first quarter of next year, the fund will be launched," he said at the 7th Asean Finance Ministers Investor Seminar yesterday.

Prime Minister Datuk Seri Najib Tun Razak said in his keynote address that Malaysia had pledged US\$150mil to the fund, which would have a (fund) target size of US\$800mil.

"To date, Asean has pledged US\$335mil to the fund. The outcome of infrastructure financing support is important to Asean's growth. A 1% increase in infrastructure spending in Asia can increase private consumption by 1% to 2% of GDP (gross domestic product), and will benefit the wider investment community as well as Asean nations and their people," he said.

Citing the Asean Capital Markets Forum (ACMF) Implementation Plan, Najib said efforts to increase regional capital market connectivity had also progressed significantly in Asean.

"One of the key thrusts of the ACMF Implementation Plan is to improve regional market connectivity through an electronic trading link. This will be known as the Asean Common Exchange Gateway. The ICE aims to increase the global profile of Asean markets by providing instant access through an electronic gateway to all Asean markets.



Datuk Seri Najib Tun Razak delivering his keynote address yesterday.

"Further, the Asean link will enhance the ability to trade across markets, allowing investors to better diversify their investments and increase their overall trading liquidity in the region," he said.

The Implementation Plan was approved by the Asean finance ministers at the 12th Asean Finance Ministers' Meeting in Danang, Vietnam in April 2008.

The ACMF has established a group of capital market experts from the region to provide guidance on the development of the plan to ensure that it would be pragmatic and beneficial to the private sector.

Separately, Najib told reporters that it was still too early to consider a single currency for the region.

"A single currency is too nebulous and too far off for us to talk about. (What's more) it's more

important for us to have coordinated and supportive domestic policies, both macro and monetary policies.

"Secondly, we need to enhance our bilateral cooperation between the Asean countries. Thirdly, we need to look at multi-level arrangements, such as the Chiang Mai Initiative," he said.

On another note, Asean secretary-general Surin Pitsuwan said there needed to be more cross-border investments between Asean countries.

"We need to increase investments among ourselves. Currently, the biggest foreign direct investments into Asean is from the European Union, followed by Japan and the United States. Asean (countries) are struggling to invest in each other.

"Currently, total Asean trade is valued at US\$1.7 trillion per year, and only 25% of that is among ourselves," he said.