

PRESS RELEASE
**SIGNING CEREMONY OF THE JAVA-BALI 500 KV POWER TRANSMISSION
PROJECT IN INDONESIA**
**The 1ST ASEAN INFRASTRUCTURE FUND PARTICIPATION IN THE ASEAN
INFRASTRUCTURE PROJECT**
30 December 2013

The signing of the Java-Bali 500 kV Transmission Project in Indonesia today between the Government of Indonesia and the Asian Development Bank (ADB) indicates the 1st achievement of the ASEAN Infrastructure Fund (AIF) in ASEAN infrastructure development project. The signing is significantly meaningful for the AIF, as it marks the beginning of the AIF lending operations with its participation in a loan of US \$ 25 million for the project, that also financed by investment from the Government and a loan from the Asian Development Bank.

The Java-Bali 500 kV Transmission Project is the first project of the AIF in Indonesia as well as in ASEAN region. The commencement of AIF's lending operations is a critical step towards mobilizing regional resources for infrastructure development in the region. The AIF would also play significant role and become important element for long-term infrastructure development and connectivity in the region, as in the future, the AIF targeted projects will not only be those of public sector which increase regional cooperation, but also projects which have scope for private sector participation, including public-private partnership.

The infrastructure financing needs in ASEAN region has been estimated to reach around \$60 billion a year from 2010-2020. In a global environment of increasingly tight access to capital, mobilizing finance for these enormous levels of investment has become critically important. While Southeast Asia has substantial levels of private savings and foreign exchange reserves, these have been largely invested

outside of Asia. Therefore, it is crucial for ASEAN and a major challenge for policy makers to tap all available regional resources and finding a way of matching the infrastructure requirements and financial resources in the region.

As one of the largest ASEAN-led initiatives, the AIF is aimed toward mobilizing the region's resources in order to meet its growing infrastructure requirements across the region. It provides a safe, liquid vehicle for putting the region's savings to work in well structured project, and will help catalyze investment support from central banks and private sector. In this context, the AIF will attract home-grown investments and reduce outflows of capital into economies beyond Asia.

The Shareholders' Agreement was signed in September 2011 by the AIF Members, outlining the contributions and equity participations of each member. Shareholders include Brunei Darussalam, Cambodia, Indonesia, Lao PDR, Malaysia, the Philippines, Singapore, Thailand, Viet Nam, and ADB. The AIF was incorporated in Malaysia as a limited liability company. ADB is the administrator and provides technical support to the AIF. ADB also acts as the lender of record for the AIF loans.

The Fund is being set up with an initial equity contribution of U.S.\$485.2 million, of which U.S.\$335.2 million will come from nine ASEAN members, and the remaining U.S.\$150 million will be provided by the ADB. Indonesia is the 2nd largest ASEAN contributor with a U.S.\$120 million equity investment and is currently chairing the AIF for from 2013 to 2015.

The AIF is expected to finance up to US\$300 million a year for various projects for the development of road, rail road, power, water and other critical infrastructure needs. Projects are selected based on sound economic and financial rates of return, and the potential impact for poverty reduction. The broad benefits of a dedicated fund for regional infrastructure development are substantial. Upgrading

key infrastructure will strengthen connectivity in ASEAN, helping to spur increased levels of trade, tourism, and investment, which in turn will support economic growth, new employment opportunities and poverty reduction. It will support much needed energy, clean water, and sanitation facilities, especially for the poor, and improve transportation and mobility, resulting in time and cost savings and cleaner environment.

---000---