

**SINGAPORE INTERNATIONAL WATER WEEK
SPEECH BY PERMANENT SECRETARY TAN YONG SOON,
SIWW 2009 FINANCING FORUM FOR WATER
INFRASTRUCTURE AND TECHNOLOGIES, CHALLENGES AND
OPPORTUNITIES IN THE CURRENT ECONOMIC CLIMATE**

24 June 2009, 14.30pm
3rd floor, Suntec Singapore International Convention and Exhibition
Centre
(5 min)

Mr Fumio Hoshi,
Executive Director, Japan Bank of International Cooperation
Mr James Adams,
Vice President, East Asia and Pacific Region, World Bank
Ladies and Gentlemen
Friends

It is my great pleasure to welcome you to Singapore. As part of the Singapore International Water Week, the Business Forum series offers captains of the water industry a spread of business networking and partnership opportunities. This year, besides the country-focused Business Forums, we have organised this special Business forum on the cross-cutting topic on “Financing for Water Infrastructure and Technologies.”

Financing Challenges

2 This inaugural forum on financing is taking place amidst the most severe financial and economic crisis since the World Wars.

IMF's Regional Economic Outlook in May¹ projected that financial strains would remain well into 2010. Continued weak demand and tighter financial conditions could lead to a surge in corporate distress that negatively feed back into banks, making them less able or willing to extend credit to the private sector. Many emerging and developing economies would also face higher hurdles in receiving access to external financing. According to World Bank's Public-Private Infrastructure Advisory Facility, the rate of project closure² between July 2008 and March 2009 fell by 15 % compared by investments compared to a similar period in the previous year.³

3 The water sector, traditionally considered as one of the most stable industries, is also affected by the financial crisis. Companies globally have reported incidences of postponement of projects and difficulties in securing financing for large projects. Yet, water remains so basic a commodity. Without adequate infrastructural investments, governments will not be able to provide the enabling environment to meet business and public water needs when the economy recovers. Multilateral aid agencies are actively seeking new initiatives and models to keep pace with the Millennium Development Goals and by 2015, reduce by half the proportion of people without sustainable access to safe drinking water.

¹ IMF Regional Economic Outlook 2009,
<http://www.imf.org/external/pubs/ft/reo/2009/apd/eng/areo0509.pdf>

² Refers to financial closure, raising of finance or secured financing from banking institutions

³ World Bank, 2009, analysis of 522 infrastructure projects with private participation in developing countries which were trying to raise financing on a project finance basis or were in advanced tender stage. Amongst the 522 projects, water and sewerage sector saw much lower activity with 20 projects involving US\$ 1.7 bil in total, a 37 % drop in investment value and 60 % drop by number of projects compared to the same period in the previous year.

Opportunities for Private Sector Participation

4 The Chinese term for crisis is 危机⁴, 危 for danger, and 机 for opportunities. In every crisis, there are opportunities to be more resilient going forward. Many countries are pump-priming their economies with fiscal stimulus packages. These bring opportunities for new growth for the private sector to participate.

5 Today, I am glad that we have several speakers sharing their wealth of experience on the public-private partnership model – Mr Philip Erquiaga from ADB, Mr Takashi Hongo from the Japan Bank for International Cooperation, Mr Au Yeung Fai from CitySpring Infrastructure and Mr Sharad Somani from KPMG. Other speakers, such as Dr Martin Stuchtey from McKinsey & Co, Mr Boey Yin Chong, and Mr David Henderson from XPV Capital will also update on the financing landscape, and opportunities for technology development.

Singapore’s Experience on Public-Private Partnerships

6 In Singapore, we too foresee continued investments in our water infrastructure. In the recently launched Sustainable Singapore Blueprint that outlines our strategies for sustainable development till 2030, we view water as a key resource that supports our growth. By 2011, about two thirds of Singapore’s land area will be used as water catchment. As our catchment size is limited, we “recycle” used water through the production of NEWater and meet localised demand through water recycling and desalination.

⁴ The Japanese term for crisis is also 危機 (pronounced “kiki”), which is the traditional form for Chinese.

7 Through public-private partnerships on water infrastructure and technology developments, Singapore aims to capture new opportunities, both to better serve our domestic needs and also for companies to test technologies for the global water market. Singapore's first desalination plant was completed in 2005 through a public-private partnership with Hyflux and the innovative financial model project bagged the Euromoney Asia-Pacific Water Deal of the Year Award.

8 On partnering technology development, the Public Utilities Board (PUB) is looking into membrane distillation to tap low-grade waste heat from industrial facilities as desalination is an energy-intensive process. Once the technical and economic feasibility is proven, PUB will facilitate commercialisation by the private sector. Last year, the Singapore Environment and Water Industry Development Council awarded S\$ 4 million in research grants to Siemens Water Technologies to cut the energy consumption of desalination technologies by at least 50 % to 1.5 kWh per cubic metre.

Closing

9 In closing, I hope you had an exciting week of exchanges thus far, and I thank all of you for your presence. The future will favour those able to take bold decisions now to invest in and generate the kind of growth a sustainable future demands. On a final note, I would like to thank the Japan Bank of International Cooperation and the World Bank for co-organising and supporting this forum, and KMPG

for sponsoring the tea break for this session. I wish you all a fruitful forum. Thank you.