

Keynote Speech by Mr Heng Swee Keat, Deputy Prime Minister and Minister for Finance, at the OMFIF Global Public Investor Launch on 12 June 2019

Mr David Marsh

Chairman of the Official Monetary and Financial Institutions Forum

Mr Kwa Chong Seng

Chairman of Singapore Exchange

Distinguished Guests,

Ladies and Gentlemen,

Introduction

1. Thank you for inviting me to join you at the launch of the 2019 Global Public Investor Report. To our delegates from abroad, I extend a warm welcome to all of you to Singapore.
2. I thank the Official Monetary and Financial Institutions Forum (OMFIF) for launching the Global Public Investor Report in Singapore. This is the first time that the publication is launched outside of London. Back in 2016, the OMFIF set up its Asia Pacific headquarters in Singapore, their first office outside of London. I am encouraged to see the OMFIF deepening its presence in Asia over the years.

The world is in search of a new sustainable equilibrium

3. The theme for today's discussion – “Global Public Investors and A Sustainable World Economy” – is timely.

4. The global economy has been growing at a remarkable pace over the last fifty years. However, this rapid growth has led to growing environmental challenges. The global commons are under threat:
 - a. Global surface temperature has been rising significantly, caused mainly by emissions of greenhouse gases from industrialisation and power generation.
 - b. This has led to a rise in the frequency and severity of natural catastrophes, such as pandemics, hurricanes and droughts¹. Sea levels have also risen, which for many small island states, like Singapore, is an existential challenge.
 - c. Within Asia, the UN Economic and Social Commission for Asia and the Pacific (UNESCAP) predicts that economic losses from natural disasters and weather catastrophes will reach US\$160 billion per year by 2030.

5. The world is in now search of a new sustainable equilibrium – one that will enable us to achieve good economic progress while also protecting the environment. I am glad that countries and institutions around the world are committing to sustainable development.
 - a. All member states have signed up to the United Nation's Sustainable Development Goals, and are working towards achieving these goals by 2030.
 - b. Companies are increasingly adopting new practices and investing in new technologies that are more environmentally sustainable.
 - c. Consumers and investors are increasingly more conscious of the environmental impact of what they consume and what they invest in.

¹ Aon, *Weather, Climate & Catastrophe Insight: 2018 Annual Report*, 2018.

6. We are gathered here to further explore how monetary and financial institutions can continue to catalyse sustainable growth.

The next bound of sustainable growth will be in Asia

7. Asia will face many of the challenges, as well as the opportunities, of sustainable development in the coming years.
 - a. Asian economies' share of global GDP is projected to double from 26% in 2000 to 50% by 2050.²
 - b. Countries in Asia are also experiencing the fastest rate of urbanisation. Just China and India alone will add a total of 670 million urban dwellers between 2018 and 2050³.
 - c. Throughout Asia, rapid growth and urbanisation will put significant pressure on public services, infrastructure and the environment.
8. Asia's growth presents many investment opportunities. But how we invest and how we respond to these pressures will determine whether Asia's growth is sustainable. The estimated financing needs to support the "greening" of Asian economies are substantial.
 - a. China alone has estimated that it would require US\$450-600 billion of investment annually to achieve its green policy goals under the 13th Five-Year Plan⁴.
 - b. Closer to home, it is estimated that ASEAN will need US\$200 billion in green investment annually till 2030⁵.

² ADB, *Asia 2050: Realizing the Asian Century*, 2011.

³ UN, *World Urbanization Prospects: The 2018 Revision*, 2018,

⁴ *Green Financing Piloting Part of China's Commitment to Paris Agreement*, Xinhua, 2017.

⁵ *Green Finance Opportunities in ASEAN*, DBS and UNEP, 2017.

9. Investment in science and technology, in particular, can open up many new possibilities for sustainable development.
- a. Many countries in Asia are already doing so. For example:
 - i. China's investment in renewable energy accounted for more than 45% of the global total in 2017⁶, and it is currently the world leader in renewable energy production⁷.
 - ii. In Japan, sustainable investments increased from just 3% of total professionally managed assets in the country in 2016 to 18% in 2018⁸. Japan also invests heavily in research and development (R&D), with gross expenditures on R&D to GDP ratios exceeding the average of other high-income countries.⁹
 - iii. In Singapore, we too are investing almost S\$1 billion in R&D for urban solutions and sustainability.
 - b. Asia can continue to benefit from more investments. Let me share a few examples of some completed projects:
 - i. China is home to the world's largest floating solar plant, and the Shenzhen East Waste-to-Energy plant slated to come into operation next year will also be the largest of its kind in the world.
 - ii. Japan's Daiwa House Industry, one of Japan's largest homebuilder, has developed energy-self-sufficient buildings, which can generate enough renewable energy to meet the building's energy consumption needs¹⁰.
 - iii. In Singapore, I just opened the first new-build net-zero energy building at the National University of Singapore a few months back. We have also developed the world's biggest underground district

⁶ Frankfurt School-UNEP Centre and BNEF, *Global Trends in Renewable Energy Investment 2018*, Frankfurt School-UN Environment programme Centre and Bloomberg New Energy Finance, 2018.

⁷ International Renewable Energy Agency, *Renewable Energy Statistics 2018*, 2018.

⁸ Global Sustainable Investment Alliance, *Global Sustainable Investment Review 2018*, 2018.

⁹ UNESCAP, *Evolution of Science, Technology and Innovation Policies for Sustainable Development: The Experiences of China, Japan, the Republic of Korea and Singapore*, 2018.

¹⁰ Newsweek.com, *Looking Ahead: Global Challenges and the Role of Japan Part II*, 2018.

cooling network in the Marina Bay financial district to reduce energy use and our carbon footprint.

10. I would therefore encourage monetary and financial institutions to capitalise on the growth opportunities in Asia and channel funds towards sustainable development.

Singapore hopes to contribute to Asia's sustainable growth

11. Singapore seeks to contribute to Asia's sustainable growth by serving as a key node for channelling financing to the region. Just as the OMFIF has set up its regional headquarters in Singapore to report on developments in the region, we hope monetary and financial institutions, including Global Public Investors, will also find Singapore a good base for investing in the region.

12. Let me share three ways that Singapore is seeking to contribute to Asia's sustainable growth.

- a. First, the Infrastructure Asia initiative by Singapore can be a conduit for institutions to invest in infrastructure development opportunities in Asia.
- b. Second, Singapore is growing our sustainable finance sector to promote sustainable economic growth in the region.
- c. Third, Singapore is contributing to regional efforts to build resiliency against natural catastrophes, which have increased in frequency and intensity due to climate change.

Infrastructure Asia

13. First, in 2017, Singapore launched the Infrastructure Asia office, to connect the demand and supply side of infrastructure investments. Infrastructure forms the

backbone of any country, and is the foundation for economic growth and job creation.

- a. A crucial component of infrastructure development is private sector financing. But only about 10% of infrastructure in the region are readily bankable, and an estimated 30% could become bankable with some added support.
- b. Infrastructure Asia aims to build up both the supply of and demand for bankable infrastructure projects in the region.
- c. It builds partnerships amongst industry players, multilateral development banks and the public sector, with the aim of helping governments better structure, finance and implement infrastructure projects in Asia.

14. An example of a partnership brokered by Infrastructure Asia is the recently announced China-Singapore Co-Investment Platform by Surbana Jurong and the Silk Road Fund.

- a. Infrastructure Asia brought Surbana Jurong and the Silk Road Fund together due to their complementary capabilities and common intent of investing in Southeast Asia.
- b. The US\$500 million Platform will focus primarily on financing greenfield infrastructure projects that can contribute to the sustainable economic and social growth of communities in Southeast Asia.

15. Infrastructure Asia is also partnering the World Bank in these efforts. The World Bank has set up an Infrastructure and Urban Development Hub in Singapore to build capacity in the region for financing and implementing infrastructure projects. Both the International Finance Corporation (IFC) and the Multilateral Investment Guarantee Agency (MIGA) have significant presence in Singapore.

16. Infrastructure Asia hopes to reach out to more financial institutions and potential stakeholders to explore opportunities in sustainable development. I welcome

you to consider working with us when you explore new investments in the region.

Sustainable finance sector

17. A second way that Singapore can contribute to Asia's sustainable growth is by growing our sustainable finance sector. The financial sector is instrumental in directing financial flows to drive sustainable economic growth.

18. The Monetary Authority of Singapore (MAS) is seeking to nurture the growth of green, social and sustainability bonds.

- a. To catalyse the scaling up of such bonds, the MAS introduced a Green Bond Grant scheme in 2017, which was expanded to include social and sustainability bonds this year.
- b. So far, over S\$6 billion worth of green bonds have been issued here and we aim to further scale this up over time.

19. The MAS is also working with partners, such as the Institute of Banking and Finance, International Finance Corporation and the World Wide Fund for Nature (WWF) to enhance the awareness and knowledge of the financial sector on sustainable financing.

- a. I am very encouraged that the WWF launched its Asia Sustainable Finance Initiative (ASFI) in Singapore earlier this year.
- b. This multi-stakeholder platform aims to enable financial institutions operating in the region to build capacity in sustainable finance.
- c. ASFI's knowledge partners can co-develop green financial solutions with financial institutions and help them engage meaningfully with their portfolio companies on the risks and opportunities of investing in sustainability.

Building resiliency against natural catastrophes

20. The third way that Singapore can contribute to sustainable growth in Asia is to help strengthen the region's resiliency against natural catastrophes, which have increased in intensity and frequency due to climate change.
- a. Currently, only about 5% of the economic losses are insured in developing Asia.
 - b. This puts tremendous strain on governments of developing nations in the event of a natural catastrophe, which can set back economic progress in the affected areas for years to come.
21. The MAS is currently developing the market for insurance-linked securities (ILS) as an alternative risk financing solution, to address protection gaps, diversify the costs of natural catastrophe events and alleviate the fiscal burden on governments.
- a. The MAS has set up the Natural Catastrophe Data Analytics Exchange (Nat Cat DAX) to support the structuring, modelling and securitization of ILS transactions through improving data quality and promoting standardisation.
 - b. The MAS has also introduced an ILS grant scheme to defray the costs associated with issuing a catastrophe bond in Singapore.
 - c. The first catastrophe bond was issued out of Singapore earlier this year. We hope to grow this, to better meet Asia's needs for protection against disasters.
22. We are also contributing by hosting the Southeast Asia Disaster Risk Insurance Facility (SEADRIF), which will be established in Singapore later this year.

- a. SEADRIF is a facility for ASEAN countries to access immediate financing in the aftermath of a natural disaster. This will further strengthen their financial resilience to climate risks.

CONCLUSION

23. To conclude, Asia will face significant challenges, as well as opportunities, on sustainable economic development in the coming years. Nations around the world have committed to the UN's Sustainable Development Goals – it is critical that we generate economic growth, and at the same time, protect the environment of our planet.

24. Global Public Investors (GPIs), with total holdings of almost US\$38 trillion, or over 40% of global GDP, will play an instrumental role in financing the sustainable growth of Asia, and around the world. I am glad that 15% of respondents to OMFIF's GPI 2019 Asset Allocation survey indicated that they are looking to increase allocation to the region in the next one to two years.¹¹

25. On our part, Singapore hopes to contribute to Asia's sustainable growth

- a. Through the Infrastructure Asia initiative which serves to connect the demand and supply side of infrastructure financing,
- b. Through growing our sustainable finance sector to better direct financial flows to drive sustainable growth in the region, and
- c. Through strengthening the region's resiliency against natural catastrophes.

26. I look forward to GPIs partnering Singapore in driving sustainable growth in Asia, for good returns and to be a force for good.

¹¹ OMFIF, *Global Public Investor 2019*, 2019.

27. I wish you all a fruitful day of discussions ahead.