

Infrastructure and Development Dynamics

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Organization of Presentation

1. Key Characteristics of Infrastructure
2. Growth and infrastructure: Stylized facts
3. Major Issues and Challenges
4. A Call for Partnership

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1. Key Characteristics of Infrastructure

Pub good
charact.

- Externalities
- Nonexcludability/Free riders
- Poverty impacts

Long
Horizon

- Need for long-term financing
- Political risk/risk sharing

Bulky
Invest.

- Large investments by powerful agents
- Possible market dominance/regulatory capture

Infra-Industry
Nexus

- Dynamics of comparative advantage
- Substitute/complement for factors of production
- Spatial effects

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Infrastructure's Public Goods Character

Externalities and poverty make implementation of user fees difficult. Public sector should be substantially involved in most sectors

Poor countries face weak revenue-raising capacity, limited access to financial markets → domestic dilemma

Network/coverage effects

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Infrastructure-Industry Nexus

Dynamics of comparative advantage; trade, FDI and infrastructure, specialization

Going green – power, transport, urban

Infrastructure for service sectors, networks; agglomeration and dispersion effects

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2a. Infrastructure in Low income Countries

Emphasis: Transport, water, power

Constraints: Finance, administrative capacity/governance, infrastructure traps?

Observations: Issues of equity, inclusion, population growth, little competition, little information

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2b. Infrastructure in Middle Income Countries

Emphasis: Transport/trade, power, communications

Constraints: Finance, regulatory capacity

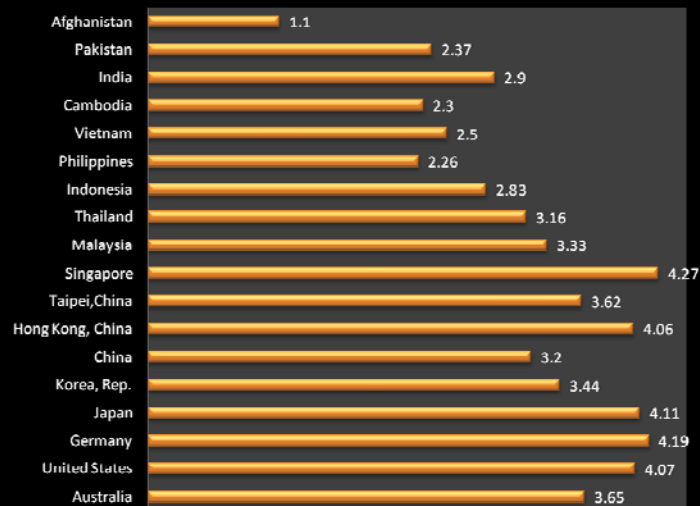
Observations: Growing foreign interest, PPPs, growing importance of soft infrastructure, rapid urbanization

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East Asian countries are generally above the average while South Asia as a whole is below the average.

Infrastructure Performance Index



Source: World Bank(2007)

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2c. Infrastructure in High Income Countries

Emphasis: Communications, power, urban infrastructure, soft infrastructure

Constraints: Environment, technology, regulation under uncertainty

Observations: Maintenance support, connectivity, standardization, going green

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3. Major Issues and Challenges (Political Economy)

1.

Crowding in the private sector – PPPs, cost recovery, property rights, guarantees?

2.

Managing networks and technical change

3.

International cooperation; regional integration (growth spillovers)

4.

Financing – long term, local currency bond markets, other instruments

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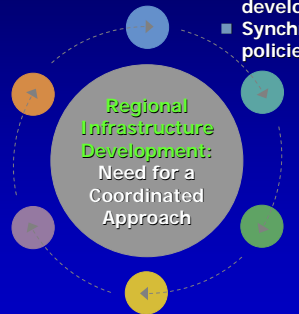
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4. A Call for Partnership

Efficient and effective infrastructure development requires partnership from all stakeholders

- Coordinating Institutions**
- To be Developed Further
 - Coordinate with Existing Institutions
 - Forum for Exchange of Information & Knowledge

- Civil Societies**
- Consensus from the Local Communities
 - Environmental and Social Safeguards



- Private Sector**
- Enhance the Financing through Support from the Public Sector
 - Not only Effective Investments, but also Management

- Governments**
- Recognition of infrastructure development and regional implications
 - Synchronization of national / regional policies

- Donor Agencies**
- Provision of Resources and Technical Support
 - Facilitate the Process as a Honest Broker

- Research Institutes**
- Support for Capacity Development and Knowledge
 - Assist on the Prioritization of the Key Projects

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