

ADBI's Program on Infrastructure Development

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Background

Governments in the region increasingly recognize that sustained development and balanced growth will depend largely on the provision of affordable and efficient infrastructure services that take into account economic, social and environmental considerations. Access, quality and price of infrastructure are all important drivers of a country's and a region's competitiveness, growth and poverty reduction. Lack of adequate infrastructure can limit gains in productivity, raise the cost of logistics and production, reduce business profitability, and constrain opportunities for economic and social progress. While investment in infrastructure has risen in the region, the shortfall continues to widen because the growth in potential demand for infrastructure services outpaces actual investment. This may also be due partly to the fact that infrastructure investments are typically characterized by high capital costs; long planning and construction lead times; slow build-up to full capacity utilization; long pay-back periods; tariffs which often are socially and politically sensitive; and fixed assets which cannot be relocated.

With growing fiscal constraints and competing needs for public finance, governments in Asia and the Pacific are looking to the private sector for investment and greater participation in order to meet the infrastructure challenges. Public-private partnerships (PPPs) for infrastructure are considered increasingly crucial by governments and the public at large in the Asia-Pacific region because the financing needs for infrastructure development are well above the ability of public sector alone to provide, nor can it alone bring technical innovation and management expertise that are essential for more efficient service delivery.

ADBI's Program

To support efforts to address these challenges, ADBI has strategically chosen 'infrastructure and regional cooperation' and public-private partnerships (PPPs) for infrastructure as priority areas of focus for its research and capacity building and training programs.

Research

Last year ADBI launched a flagship study on *Infrastructure and Regional Cooperation*. The objective of this study is to explore the key issues, both hardware and software, and challenges facing infrastructure development in Asia, including its roles in regional cooperation.¹ The study will identify what the region needs in terms of policies and best practices to meet these challenges. In particular the study will cover the following four areas/themes: (i) trade and logistics as they influence agglomeration and economies of scale, (ii) policies and institutions as they define the overall environment, (iii) financing infrastructure as the mobilization of Asian savings for Asian

¹ "Software" aspects include legal, regulatory, procedural, and other supporting policy frameworks as well as human and institutional capacities, whereas "hardware" refers to physical infrastructure components that facilitate physical connectivity.

infrastructure investment is a big challenge for the region; and (iv) transnational infrastructure networks as they develop and support inclusive Asian growth. Empirical and case studies, and examples of best practices will be drawn mainly from key sectors/sub-sectors, such as transport (roads, railways, airways, and ports) and energy (electricity and gas).

In addition, there will be two ADBI publications this year. The first publication is on Infrastructure and Trade in Asia. It explores the virtuous cycle of infrastructure investment, trade expansion, and economic growth in developing Asia. Issues relating to hard and soft infrastructure, trade facilitation and trade costs are identified and analyzed, including the role of infrastructure in enhancing intra-regional trade. The second publication focuses more specifically on the Role of Infrastructure in Reducing Trade Costs. It includes country case studies from the PRC, India, Indonesia, the Kyrgyz Republic and Malaysia which focus on different aspects of developing trade-related infrastructure.

Capacity Building & Training

Last year, almost fifty senior officials representing infrastructure ministries from across 23 of ADB's developing member countries participated in the *'Strengthening Private Sector Participation and Investment in Physical Infrastructure' Workshop* to discuss main challenges to strengthening the enabling environment and legal and regulatory frameworks; and achieving greater public-private partnerships for infrastructure development across the Asia-Pacific region. It was organized in collaboration with various development and private sector partners, including international and regional investment banks and rating agencies, as well as PPP financial and legal advisors.

In addition to the trends and challenges for infrastructure financing and actual experiences with public-private partnerships for infrastructure projects in the region, the workshop highlighted a number of innovative PPP approaches that have recently evolved to improve risk management and bankability of public infrastructure projects. Following extensive dialogue between public sector officials and those that represented private sector investor interests, participants identified a number of priority policy actions that need to be addressed to encourage greater private sector participation and investment in infrastructural investment programs in their countries.

To address the demand and interest generated by this workshop, steps are now being taken to develop a PPP workshop series. National PPP workshops are planned for China, India, Pakistan and Viet Nam; with regional workshops to be organized for Central Asia, South Asia, and the Pacific. These workshops will be co-hosted and co-organized by ADB HQ possibly in collaboration with development agencies such as the Commonwealth Fund for Technical Cooperation, the Islamic Development Bank, the Japan Bank for International Cooperation (JBIC), the Public-Private Infrastructure Advisory Facility (PPIAF), UNESCAP, the World Bank and its Institute, International Finance Corporation (IFC), the European Reconstruction and Development Bank (EBRD), and the Australian Agency for International Development (AusAID).

By providing an interactive setting to enable participating governments to engage with the private sector, the workshop series will further assist participating governments in identifying and implementing priority policy/regulatory reforms which are needed to facilitate private sector engagement and support the development of a pipeline of potential bankable infrastructure projects for the region.

The experiences and lessons learned, the country and international best practices, and the policy reforms that countries will be implementing to promote PPPs in infrastructure development will

later be put together in an ADBI publication, which will be prepared in collaboration with ADB HQ and other international experts.

Through its wider dissemination, to policy makers, senior managers engaged in infrastructure regulation, project design and implementation, as well as the public at large, this publication is expected to further support the acceleration of national policy reform programs to strengthen the PPP enabling environment and legal and governance frameworks.
