

*“Global Financial Crisis, Export-Led Growth and Aid for Trade:
Focus on the ASEAN Experience”*

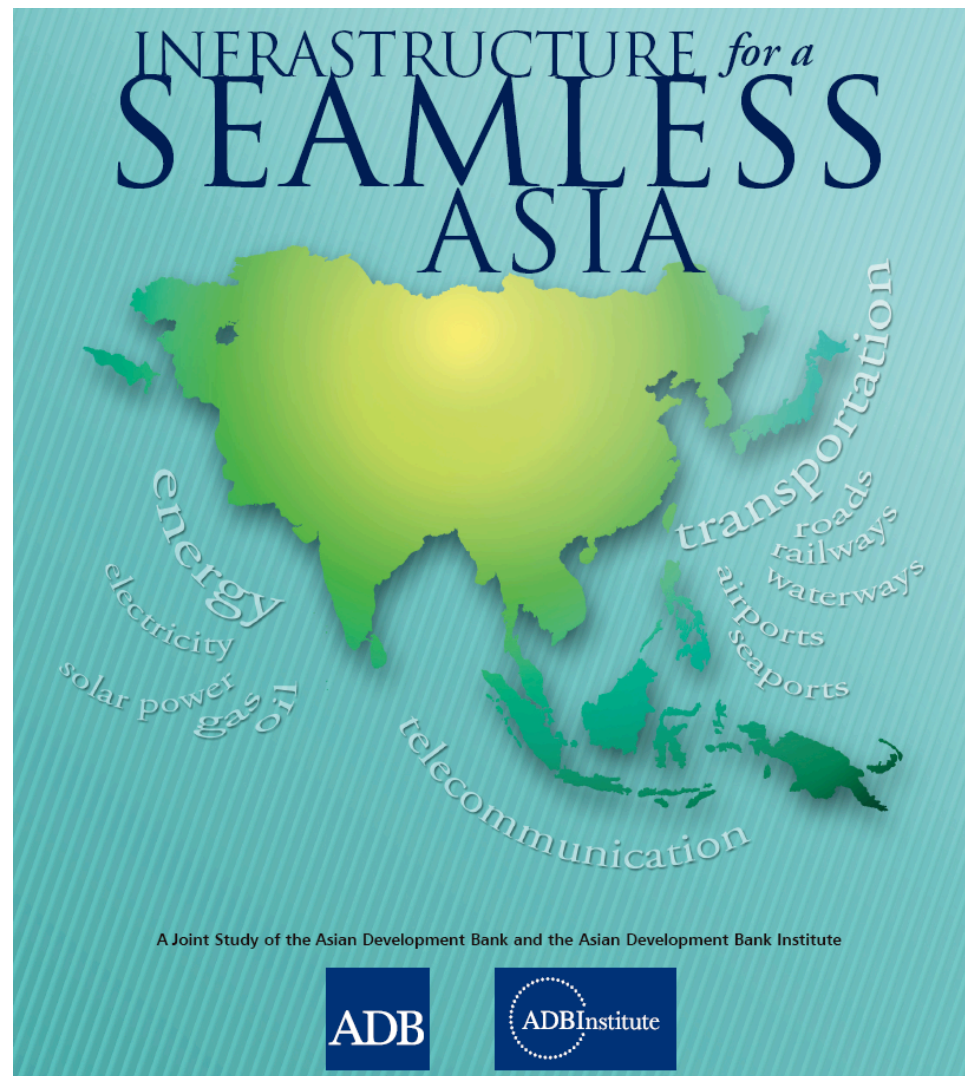
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Innovative Approaches to Infrastructure Development and Regional Cooperation in Asia

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Outline

- Need for Infrastructure
- Objectives
- Definition, Scope, Coverage
- Vision
- Supporting Regional Trade and Investment
- Key Messages
- Conclusion

Need for Infrastructure

- The current global crisis provides 5 reasons for increasing infrastructure investment:
- (i) Critical for increasing competitiveness and productivity; and for sustaining growth;
- (ii) Helps to reduce poverty;
- (iii) Promotes environmental sustainability;
- (iv) Forms an important part of fiscal stimulus package, especially if the crisis is prolonged;
- (v) Helps in increasing regional demand.

Objectives

- Examines the key issues and challenges in strengthening cross-border connectivity in Asia;
- Examines benefits and costs of regional infrastructure;
- Estimates the financing requirements for developing Asia's infrastructure.
- Provides recommendations for effective programs, policies and institutions for regional infrastructure
- Presents a framework for pan-Asian infrastructure cooperation towards a Seamless Asia.

Scope and Coverage

- Issues and challenges for regional infrastructure in Asia up to 2020
- ADB's 44 DMCs, Japan, and Brunei
- Broad pan-Asian initiatives and sector-specific subregional efforts—transport, energy, telecom
- Focus on “soft” infrastructure—policy, regulatory, and institutional frameworks—to support development and operation of the “hard” component (physical structures, equipment, facilities, and services), and to facilitate regional trade

Definition:

Regional Infrastructure Projects

- Cross-border (or transnational) projects that involve “hard” and “soft” infrastructure spanning two or more neighboring countries;
- National projects that have a significant cross-border impact—in stimulating regional trade and income; or in connecting with the network of neighboring or third countries.

Long-Term Vision: A Seamless Asia

- Creation of a seamless Asia—an integrated region connected by world-class environment-friendly infrastructure networks
- In view of Asia's enormous untapped economic potential and the ongoing global financial crisis, now is the time to build efficient and seamless connections across Asia and with the rest of the world for a more competitive, prosperous, and integrated region.

Supporting Regional Trade and Investment

- Asia's exports diversifying across new markets; intraregional trade in P&C growing; traded goods shipped mainly by sea, increasingly by air transport, and little by road/rail, etc. These trends underscored the need for efficient and flexible logistics networks
- Infrastructure deficiencies (both hard and soft), and import tariffs and trade-policy restrictions as increasingly significant barriers to Asia's trade plus. Getting them right would lower the costs.

Financing Needs for Asia's Infrastructure

Asia's total infrastructure investment needs by sector, 2010–2020

(2008 \$ million)

| Sector/ Subsector | New investment | Replacement | Total |
|-----------------------------|------------------|------------------|------------------|
| Energy (Electricity) | 3,176,437 | 912,202 | 4,088,639 |
| Telecommunications | 325,353 | 730,303 | 1,055,657 |
| Mobiles | 181,763 | 509,151 | 690,914 |
| Telephones | 143,590 | 221,153 | 364,743 |
| Transport | 1,761,665 | 704,456 | 2,466,122 |
| Airports | 6,533 | 4,728 | 11,260 |
| Ports | 50,275 | 25,416 | 75,691 |
| Railways | 2,692 | 35,947 | 38,638 |
| Roads | 1,702,166 | 638,366 | 2,340,532 |
| Water and Sanitation | 155,493 | 225,797 | 381,290 |
| Sanitation | 107,925 | 119,573 | 227,498 |
| Water | 47,568 | 106,224 | 153,793 |
| Total | 5,418,949 | 2,572,759 | 7,991,708 |

Source: Bhattacharyay (2008).

Financing Needs for Asia's Infrastructure (cont'd)

Indicative investment needs for regional identified and pipeline infrastructure projects, 2010-2020

| Region/ Subregion | Transport Projects | | Energy Projects | | Total | |
|---|--------------------|------------|-------------------|-----------|-------------------|--------------|
| | Cost (\$ million) | No. | Cost (\$ million) | No. | Cost (\$ million) | No. |
| Asia | 177,077 | 931 | - | - | 177,077 | 931 |
| Asian Highway | 43,276 | 121 | - | - | 43,276 | 121 |
| Trans-Asian Railway | 82,801 | 45 | - | - | 82,801 | 45 |
| Asian Container Ports ^a | 51,000 | 765 | - | - | 51,000 | 765 |
| East/Southeast-Central-South Asia ^b | - | - | 22,975 | 5 | 22,975 | 5 |
| Southeast Asia | 5,858 | 17 | 41,444 | 33 | 47,302 | 50 |
| GMS | 5,858 | 17 | 2,604 | 14 | 8,462 | 31 |
| Trans- ASEAN Gas Pipeline | - | - | 7,000 | 1 | 7,000 | 1 |
| BIMP-EAGA | - | - | 100 | 1 | 100 | 1 |
| Others | - | - | 31,740 | 17 | 31,740 | 17 |
| Central Asia | 21,245 | 38 | 10,861 | 44 | 32,106 | 82 |
| CAREC | 21,245 | 38 | 10,591 | 43 | 31,836 | 81 |
| Others | - | - | 270 | 1 | 270 | 1 |
| South Asia | 293 | 3 | 6,846 | 6 | 7,139 | 9 |
| Total | 204,472 | 989 | 82,125 | 88 | 286,597 | 1,077 |

Meeting the Financing Needs

- On average, Asia needs to invest about \$750 billion per year in infrastructure (both national and regional) during 2010-2020
- The region's vast domestic savings as the main source of financing for Asia's infrastructure
- Identify and prepare “bankable” projects to encourage private financing involving PPP
- Strengthen national and regional local currency bond markets—notably the Chiang Mai Initiative (CMI), the ASEAN+3 Bond Market Initiative (ABMI), and the Asian Bond Funds (ABF)
- Finance “soft” infrastructure (e.g., Trade Facilitation) – through utilizing “Aid for Trade” and MDB's Technical Assistance (Grant)

Key Messages

- (1) The required investment in infrastructure for pan-Asian connectivity would produce large real income gains of around \$13 trillion for developing Asia during 2010-2020 and beyond;
- (2) A “Pan-Asian Infrastructure Forum (PAIF)” should be established to help coordinate and integrate existing subregional infrastructure initiatives toward a seamless Asia;

Key Messages (cont'd)

- (3) During 2010–2020, Asia needs to invest about \$8 trillion in national infrastructure and \$290 billion in specific regional infrastructure projects—an overall average infrastructure investment of about \$750 billion per year; and
- (4) An Asian Infrastructure Fund (AIF)” is needed to mobilize international funds (public and private) and help prioritize, prepare, and finance “bankable” regional infrastructure projects.

Conclusion

A Framework for Pan-Asian Infrastructure Cooperation requires:

- A common vision, strong leadership and a shared commitment by Asian leaders;
- Strong institutional capacities at the national level;
- Coherent infrastructure development at the national, subregional, and regional levels;
- Pan-Asian infrastructure strategies to prioritize investments and coordinate policies;

Conclusion (cont'd)

- Effective planning and implementation of projects to ensure “win-win” outcomes among participating countries by
 - addressing the issue of asymmetric distribution of projects’ costs and benefits
 - managing negative socioeconomic impacts
- Effective financing framework to help mobilize the region’s vast savings, and encourage public-private partnerships
- ADB is ready to help