



## *Infrastructure in East Asia: The Way Forward*

**TOKYO January 23, 2004** – Economic growth has rebounded in much of Asia since the 1997 financial crisis but infrastructure investment has not caught up. The resulting “infrastructure gap,” – particularly in electricity, transport, and water supply – threatens efforts to reduce poverty, boost economic growth, and improve trade and investment links in the region.

The study, *Infrastructure in East Asia: The Way Forward*, which is now under way to realize the shared goals of economic development and poverty reduction in the region, was launched officially at a seminar held today at JBIC in Tokyo by the three sponsoring organizations, the Japan Bank for International Cooperation (JBIC), the World Bank, and the Asian Development Bank (ADB). Mr. Kiyoto Ido, Senior Deputy Director-General from the Ministry of Finance, Government of Japan, made welcoming remarks and noted the Government’s strong support for this study. *“This study is timely as the Japanese Government is also highlighting the importance of sustainable growth as one of the priorities in the newly-revised ODA Charter. It is appropriate that this study is taking place in East Asia given the important role that infrastructure development has played in achieving sustainable and equitable growth in the region. We, the Government of Japan, would also like to utilize the outcome of this study in forming our assistance policy in the future.”*

The new regional infrastructure study aims to the important role of well-executed infrastructure development in reducing poverty. The study would lay out a new framework and approach for meeting the infrastructure demands of a rapidly growing region and close what some observers are calling an “infrastructure gap” brought on by the sharp slowdown in infrastructure development – both publicly and privately financed.

The objectives for the study are to establish a new approach to the provision of infrastructure that would ensure a balance between public and private sector roles, complemented by transparent and effective public policy. It will also respond to many of emerging challenges in the region due to urbanization and decentralization, changing demographics and increased regional integration.

Through this process, the study organizers are hoping to develop a roadmap among decision makers and development partners about how best to manage the process of getting infrastructure provision and financing on track in the countries of the region. The final report is expected in early 2005.

Mr. Kyosuke Shinozawa, Governor, Japan Bank for International Cooperation (JBIC), said today, *“We are pleased to be partnering with the other multilateral development banks*

*active in the Region for this comprehensive study – which is the first such partnership of its kind between these organizations. We have witnessed around Asia the positive role that infrastructure development has played in stimulating investment and lifting millions out of poverty by creating jobs and driving economic growth. Continued infrastructure development will be critical to East Asia’s ability to meeting the Millennium Development Goals (MDGs), which pledge countries to reduce poverty from the standpoint of health, education, and social development.”* He noted that there would be no return to a pure "bricks and mortar" approach to infrastructure development. *“Building disciplined institutions and frameworks within public and private sectors to provide services efficiently and equitably is essential.”*

Mr. Toru Tokuhisa, Director General for JBIC Institute underscored the important role of infrastructure in economic growth and poverty reduction and JBIC’s role in promoting infrastructure development, especially in this region, through both yen-loan and international finance operations. He said, *“the study comes at a time when greater access to infrastructure and its benefits are recognized by the international community as essential to stimulating economic growth and reducing poverty. For infrastructure to support sustainable growth as well as poverty reduction, however, it is important to review the role and risk sharing between the public and private sector as well as to promote the dialogue with the private sector – with an underlying goal of encouraging the flow of direct investment from the private sector, as a user of the infrastructure.”*

The study plans to look at a number of new trends affecting the provision of infrastructure in the region, including: the dual trend of rapid urbanization and political decentralization; the decline in private sector interest resulting from the continued problems with corruption and regulatory shortcomings in government and public services; shifting centers of competitiveness and the increasing importance of a new transport agenda, including international and behind-the-border logistics, to sustain greater regional integration; and the need to complement market oriented reforms with better performance of public sector functions through institutional and capacity building.

*“ In particular, a huge challenge for the region will be to provide both the quantity and quality of infrastructure to meet the challenges of urbanization,”* said Mr. Geert van der Linden, Vice President of the Asian Development Bank (ADB). *“ Over the next 20 years, the urban population in East Asia and the Pacific is projected to increase by 500 million people, or 60 percent. The population of “mega-cities” with populations over 10 million will rise from 80 to 100 million. This growth will place enormous pressures on urban infrastructure, especially the provision of basic services for the poor.”* Mr. van der Linden also noted the need to address infrastructure bottlenecks in rural areas, which limit income-generating opportunities in agriculture and non-farm activities, and induce the migration of people to the cities to find work.

Mr. Jemal-ud-din Kassum, Vice President for the East Asia and Pacific region of the World Bank said that the infrastructure needs for the East Asia and Pacific region have been

estimated at US\$200 billion or more per annum.<sup>1</sup> Now that growth was recovering again, it was essential to find ways to overcome infrastructure deficits in the region. He commented, *“To correct this imbalance, governments must have the right policies in place to attract private investment, and to ensure that all public and private resources are used efficiently. Investments must also respond to environmental and social concerns, as well as the need for increased participation and stronger accountability mechanisms to ensure that new infrastructure contributes to both poverty reduction and economic development. For our part, the World Bank stands ready to use our resources to leverage greater participation by the private sector in ways that serve the goal of poverty reduction, as well as to enhance the regulatory role and delivery capacity of the public sector.”*

On January 15 and 16, the study team held the first of a series of workshops at the ADB headquarters in Manila. More than 100 people, including government officials of the developing countries in the region, attended to provide their ideas on the study. They also stressed the important role that official lending can play in catalyzing private participation and funding infrastructure projects that are unlikely to attract private investors. *“But this will require changes in the way development agencies work, namely the need to take a longer-term view of infrastructure needs, improve coordination at the country and project level, and simplify and speed up business practices,”* said study team leader Mr. Mark Baird. More workshops and seminars are being planned throughout East Asia in coming months.

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<sup>1</sup> The infrastructure study will attempt to update the estimates of resource requirements for infrastructure development and maintenance in the East Asia and Pacific region.