Achieving Quality Infrastructure in Asian Countries

Daniel F. Runde
William A. Schreyer Chair in Global Analysis,
Director, Project on Prosperity and Development
What is the Infrastructure Gap?

The world needs nearly $50 trillion in infrastructure investments.

At least $3.3 trillion needed each year.

Asia needs to fulfill a $22.6 trillion infrastructure gap.

Asia, Africa, and Latin America account for sixty percent of that gap.

Over 400 million people lack electricity.

About 1.5 billion people lack access to basic sanitation.

300 million live without access to safe drinking water.

Globally, 4.2 billion people do not have regular access to the internet.
Globally, Official Development Assistance has been at $150 billion, and is only 3 percent of infrastructure investment.

75 percent of investment comes from domestic fiscal space, due to improved tax collections, debt relief, or gains from commodities boom. In 2012, Africa spent $59.4 billion of public money on infrastructure.

By 2014, Chinese institutions have funded (through loans) projects worth $684 billion. Along with the AIIB and the New Development Bank, China's global infrastructure investments is greater than the $700 billion assets owned by other major MDBs.

Development finance institutions (DFIs) are a viable resource for financing impending infrastructural needs as they seek to invest in commercially sustainable projects, often in concert with private investors.
In May of 2016, the G7 released the 5 Ise-Shima Principles for Promoting Quality Infrastructure Investment and set out a coherent and organized framework for bridging the global infrastructure gap.

These include: effective governance, economic efficiency, job creation, capacity building, transfer of expertise, addressing social & environmental impacts, alignment with economic & development strategies, resource mobilization and Public Private Partnerships (PPPs).

High quality infrastructure provides direct positive impacts like higher economic efficiency and effective delivery of public goods & services. Effective use of infrastructure resources results in over 40 percent of growth differential between high and low growth rate economies.

Multiple Communiques from G20 Leaders also provide a strong endorsement for the value of quality infrastructure in terms of “life-cycle cost, safety, resilience against natural disaster, job creation, capacity building, and transfer of expertise and know-how.”
Mechanisms to Achieve Quality Infrastructure

**Life Cycle Costs**
- Factoring in **life-cycle costs** during the project planning and procurement stages of project development and promoting **open-bidding processes** to ensure **best value for taxpayers**.

**Capacity & Training**
- Provide or enable **large-scale training** for **public sector officials** to adapt to the “life-cycle costs” procurement standards.

**DFIs & MDBs**
- Donor countries have strategic advantage to promote **new standards and certification** for infrastructure projects among public officials.

**Project Preparation**
- Expand and refine demand driven **global project preparation support** such that investors are able to identify “bankable” projects that offer viable investments.

**Contract Management**
- Finally, countries need to focus on **improving contract management techniques** and procedures to ensure that they get what they pay for.
Thank You