

## **Infrastructure Challenges in East and South Asia**

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### **Summary**

#### **Introduction**

This paper looks at the relationship between infrastructure, economic growth, and poverty reduction in Asia. It examines the policies required to stimulate the necessary investment and ensure it is employed in the most effective ways to promote poverty reduction.

#### **Main findings**

The importance of physical infrastructure in fostering economic growth and poverty reduction is well recognised but the provision of infrastructure is patchy, showing marked differences between and within countries in terms of both the extent of access to, and the types of, infrastructure provided. Furthermore, current levels of investment in infrastructure fall well below those estimated as being necessary to meet projected demand in relation to future growth prospects.

What is also becoming apparent is that particular benefits accrue to specific investments, such as water, sanitation and roads. Although the impact of different infrastructure spending varies from context to context, a frequent finding is that investment in roads and education has most impact on rural poverty reduction, closely followed by investment in agricultural research and development.

Attention to both public and private investment is required in order to provide both the amount and type of infrastructure needed. Private investment in particular has fallen short of expectations and appropriate policy and institutional environments therefore need to be established that will promote and support private investment.

#### **Key findings**

- infrastructure is crucial to economic growth and poverty reduction
- current levels of investment in infrastructure are insufficient to meet projected demand
- certain types of investment provide greater direct benefit to the poor than others
- more private investment must be attracted
- public sector infrastructure investment must be improved and made more accountable
- institutional reforms that enable effective infrastructure investment must be put in place.

#### **Conclusions and policy implications**

Key policy conclusions relating to infrastructure provision in East Asia encompass rationalisation of subsidies, coordination challenges, accountability, regulatory independence, corruption, the predictability of the policy environment, and a continued role for aid donors, among others. Attention also needs to be paid to encouraging participation of the poor in decision-making about infrastructure.

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