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## Increasing Demand for Infrastructure in Asia: Its Challenge

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According to a report titled “Meeting Asia’s Infrastructure Needs” recently published by ADB, the infrastructure needs in Asia’s 45 emerging economies are expected to total up to an enormous amount of about \$26 trillion in the coming 15 years from 2016 to 2030. The demand per year will amount to \$1.7 trillion, more than double the amount of \$700 billion expected in the previous report issued in 2009 (for the period of 2010-2020). The breakdowns by sector show that the largest needs will come from power sector with \$14.7 trillion, a little more than half of the total estimated requirements over the years, suggesting a serious power shortage in some countries. \$8.4 trillion will be for transport, accounting for 30 % of the total needs and followed by telecommunication and water and sanitation costs. There is no change in the order of magnitude of demand by sector from the previous forecast. (Table 1)

Table 1 : Asia’s Investment Needs for Infrastructure

(\$billion)

	Previous Forecast from 2010 to 2020		Current Forecast from 2016 to 2030	
	Investment Needs	Annual Average	Investment Needs	Annual Average
Power	4,088	372	14,731	982
Transport	2,466	224	8,353	557
Telecommunication	1,056	96	2,279	152
Water and Sanitation	381	35	802	53
Total	7,992	727	26,166	1,744

(Source) Asian Development Bank

By region, East Asia will account for the largest need of \$13.8 trillion, more than half of the total, and China will account for almost all of it with the need of \$13.1 trillion. South Asia will follow East Asia with the need of \$5.5 trillion centered on India’s \$4.4 trillion. Comparing the needs as a percentage of GDP, India will have a larger need at 7.4% of GDP than 5.0% for China and 5.5% for Indonesia. This estimate reflects the lagged infrastructure development in

India, as foreign affiliates doing business in India point out, while the nation-led efforts have been made to promote infrastructure building in China. (Table2).

Table 2 : Investment Needs for Infrastructure in Asia by Region

(\$billion)

	Current Forecast from 2016 to 2030		
	Investment Needs	Annual Average	% of GDP
Central Asia	492	33	6.8
East Asia	13,781	919	4.5
PRC	13,120	875	5.0
South Asia	5,477	365	7.6
India	4,363	291	7.4
Southeast Asia	2,759	184	5.0
Indonesia	1,108	74	5.5
The Pacific	42	3	8.2
<b>Total</b>	<b>26,166</b>	<b>1,744</b>	<b>5.1</b>

(Source) Asian Development Bank

ADB has supported, together with the World Bank and the International Finance Corporation (IFC), financing of infrastructure investment in Asian developing economies. However, the amount of support in the total infrastructure investment in Asian developing economies remained at 2.5% for all of these Multilateral Development Banks (MDBs) in 2015. Excluding China and India, the amount rises to 10%, indicating that the MDBs including ADB have largely contributed directly or indirectly to the infrastructure finance especially in the ASEAN region.

One of the roles expected for these MDBs is that they promote high quality infrastructure investment as a stakeholder. Although the importance of high-quality infrastructure investment is widely acknowledged, not a few developing countries put more value on cost than on quality. As a result, there are some cases where infrastructure projects have been promoted with top priority given to cost, and have failed to provide sufficient benefits and services after their completion. In such cases, infrastructure projects will not only fail to contribute to economic development in developing economies, but also there is a high possibility that they may face bankruptcy from default of repayment of investment and loan. It is much hoped that the MDBs including ADB are further involved in planning and designing of infrastructure projects to contribute to guarantee the satisfactory quality for the projects.

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