

Infrastructure Development Effectiveness: Lessons from East Asia

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Infrastructure has been regarded as a linchpin of inclusive development, as the access enhances household welfare. However, in the 1990s, the World Bank began to view infrastructure as a “sunset” sector, although, afterwards, infrastructure was placed back in the center of the Bank’s agenda in 2003. The swing of pendulum damaged infrastructure investment in developing countries; it had fallen significantly in the 1990s. One central reason of the decline, together with the dominant development norm emphasizing social sectors, was the evolving skeptical view: why so many ‘white elephants’? The question led to the aid effectiveness debate on the aid-funded infrastructure projects. In the meantime, according to the existing literatures, East Asia has recorded better performance in terms of infrastructure contribution to poverty reduction. Suppose East Asia is comparatively successful in infrastructure development, what key features explain the success? Our in-depth case studies does not show any notable differences between East Asia and Sub-Saharan Africa, as far as the performances of individual infrastructure projects are concerned. What is significantly different is the linkage among the infrastructure and other projects and, moreover, how public and private investments enhance each other.

Let us take the Hanoi-Haiphong corridor in the northern Vietnam. The new national highways connecting Hanoi and modernized Haiphong port have been further enhanced by the linkage with other transportation investments, connecting the Noi Bai international airport and national capital on the one hand, and connecting the Haiphong port directly with the Noi Bai airport by the bypass routes. The web of improved transportation in the Hanoi-Haiphong corridor has attracted increasing number of investors. The experiences of the Eastern Seaboard of Thailand, another “show case”, illustrate the “cow-bell” effects of infrastructure investments, as more than thirty private industrial estates with a number of automobile factories have been constructed around the aid-funded two ports. The achievements of the above two cases imply the concerted actions among the recipient and donor governments as well as private investors. The mutual enhancing among them was realized by sharing same expectations or ‘cognitive model’ among the stakeholders.

It should be also stressed that “anchor firms”, such as automobile factories, played important roles in the industrial clusters in the above two regions, attracting a big number of parts manufacturers. The anchor firms’ backward linkage attracting a great number of parts manufacturers furnished the industrial clusters with proper functions. This is another remarkable feature of the FDI-infrastructure nexus in East Asia.

The East Asia’s experiences show what is vital is not the volume of infrastructure investment or factories accumulation but the synthesis among various stakeholders.