

**Asian Development Bank Institute
Workshop**

***Strengthening Private Sector Participation and Investment
in Physical Infrastructure
19-22 November 2007
Tokyo, Japan***

**Welcome Remarks
by
Masahiro Kawai, Dean, ADB Institute**

Mr. Bob Bestani, distinguished participants, resource speakers, ladies and gentlemen: good morning.

It is my pleasure to personally welcome you to the Asian Development Bank Institute and to this workshop on 'Strengthening Private Sector Participation and Investment in Physical Infrastructure'.

Over the last five decades, the Asia-Pacific region has experienced dynamic transformations and achieved remarkable economic growth and development. However, governments in the region increasingly recognize that sustained development and balanced growth will depend largely on the provision of affordable and efficient infrastructure services that take into account economic, social and environmental considerations.

Access, quality and price of infrastructure are all important drivers of a country's and a region's competitiveness, growth and poverty reduction. Lack of adequate infrastructure can limit gains in productivity, raise the cost of production and distribution, reduce business profitability, and constrain opportunities for economic and social progress. While investment in infrastructure has risen in the region, the shortfall continues to widen because the growth in demand for infrastructure services outpaces actual investment.

With growing fiscal constraints and competing needs for public finance, governments in Asia and the Pacific are looking to the private sector for investment and greater participation in order to meet the infrastructure challenges. Public-private partnerships (PPPs) for infrastructure are considered increasingly crucial by our governments and the public at large because the public sector alone cannot address financing needs that are well above its ability to provide, nor can it alone bring technical innovation, management expertise, and policy and regulatory frameworks

that are essential for more efficient service delivery. The large pool of the region's savings has not been adequately mobilized to the region's infrastructure investment due to the lack of attractive, 'bankable' projects.

To support efforts to address this challenge, ADBI has strategically chosen 'infrastructure and regional cooperation' as a priority focus for its program. We have recently launched a flagship study on this topic and this afternoon we will introduce you to our flagship study team. As part of this week's workshop, our team will conduct stakeholder consultations with you to obtain your views on the major challenges to accelerating sustainable infrastructure development in your countries and the region.

The need for infrastructure is pressing. ADB has estimated that over one billion people in the region are without access to electricity. In many countries in the region, piped-water reaches fewer than one person in five, and in some, adequate sanitation is available to less than one in ten. Roads are the lifeline for the rural population—making up almost 70% of the population in this region—and are critical for access to markets and trade. However, roads continue to be significantly lower in quantity and quality in Asia and the Pacific compared to other regions in the world such as Latin America. ADB has also estimated that over the next ten years, the Asia-Pacific region will need infrastructure investment of \$300 billion per annum.

Before the onset of the 1997 Asian financial crisis, private investors were important partners for infrastructure development in Asia and the Pacific. At the 'Ministerial Conference on PPPs in Infrastructure Development' held in Seoul, Korea last month, where many of your governments participated in the ratification of the 'Seoul Declaration on Public-Private Partnerships for Infrastructure Development in Asia and the Pacific', it was noted that *'at its peak private investment in infrastructure in Asia accounted for 20-25% of total investment'*. While the Asian financial crisis interrupted private sector activity, we need to examine what has impeded the return of private investment, and explore what needs to be done to restore private investors' confidence in infrastructure development in this region.

A number of countries in Asia and the Pacific are already in the process of reviewing their legal and regulatory environments, and their policy and institutional frameworks, and debating what reforms are necessary to create the enabling environment needed to foster a more positive business climate and strengthen investor confidence. I believe many of you are already working with ADB and our development partners for these purposes in your respective

countries. During this workshop, I hope that an open dialogue between you—the key policy makers—and those in the private sector representing private investor interests, will provide constructive insight into what needs to be prioritized. I hope you will identify impediments to the development of 'bankable' infrastructure projects and find pragmatic approaches and solutions that will serve to accelerate the return of private investment and public-private partnerships across a wide range of infrastructure sectors in the region. I hope this will help enhance the bankability of many potential infrastructure projects in your countries and accelerate private sector participation in these projects.

To take advantage of the keen interest of private sector investors and accumulated savings surplus in the region, we also plan to develop, during this workshop, an inventory of 'bankable projects'. We will share this inventory with ADB headquarters, other international and regional financing institutions, and most importantly those in the investment community.

This workshop is very much a collaborative effort. ADB headquarters and our development partners—the Commonwealth Fund for Technical Cooperation, the Public-Private Infrastructure Advisory Facility, UNESCAP, the World Bank (including its Institute), and very importantly those representing private sector investor interests—have all joined in the design and delivery of this event.

This workshop is intended to be highly interactive, in order to enable you to engage in a constructive dialogue with the private sector, with the technical experts, and with your colleagues from the region's policy circle. Every one of you is encouraged to share his or her experiences and lessons learned in infrastructure development. I am therefore looking forward to a very active, interactive and fruitful deliberation over the next few days.

With your active contributions, I am confident that we can identify, at the end of the workshop, practical measures that would promote a more dynamic public-private partnership for infrastructure development in Asia and the Pacific.

Once again, welcome to the Asian Development Bank Institute and I wish you all an enjoyable stay in Tokyo.