

Promoting Positive Impacts

Is there a link between investment in infrastructure and Growth and Poverty Reduction?

This link has been the subject of research for many years. One researcher comments that:

“So while most officials, agencies, consultants, practitioners and people living in developing countries know about chronic infrastructure deficiencies, and it is possible to appeal to statistics showing cruel deficiencies in sectors such as sanitation, water or electricity, there is no completely satisfying way to systematically document the state of infrastructure in and across many poor countries”.

At the macro-level, the relevant challenges imply to move away from a long string of contributions that have tried to estimate the link between output or growth and aggregate indicators of infrastructure (public capital or physical indicators) and rather concentrate on how aspects linked to the political, institutional and regulatory environment have affected the delivery and efficiency of services in the different sectors”.



Infrastructure and Growth in Developing Countries: Recent Advances and Research Challenges. Stéphane Straub, Policy Research Working Paper 4460 The World Bank. January 2008.



PFI: meeting the investment challenge. HM Treasury, 2003.

“Given these difficulties, what are the potential lessons? Overall, our results give only limited support to the notion that infrastructure investment has driven growth. Our results in E Asia do not seem to be inconsistent with a story in which infrastructure can constrain growth, when that growth potential is generated exogenously, and that East Asian countries have been relatively successful in addressing infrastructure constraints as they arise. But the weakness of our data and results do not permit any definitive conclusions about the theoretical channels by which infrastructure may have influenced growth in East Asia.

If indeed East Asia is more effective than other regions at responding to infrastructure constraints it would be useful to understand why. Various arguments could be mounted. For example, East Asia has high levels of savings, and the availability of financing may facilitate more rapid responses. East Asian countries have typically relied on powerful planning agencies, such as Japan’s MITI, etc. And to the extent that private investment in infrastructure has played a role in total investment, it is notable that the modalities employed in East Asia have differed from those employed elsewhere: for example, while East Asia focused on attracting investment at the wholesale level and greenfield sites (e.g. independent power producers), Latin America placed greater emphasis on

the concessioning of existing retail systems. Testing such hypotheses is a subject for separate enquiry”.



Infrastructure And Economic Growth In East Asia. Stéphane Straub, Charles Vellutini, Michael Warlters. Policy Research Working Paper 4589. The World Bank April 2008.