

Preface

This book studies critical factors affecting the efficient use of public investments in infrastructure to support trade and economic development. In striving for that goal, the study reviewed the literature on construction and economic development, international trade theories, and infrastructure development. The literature review provided an understanding of the linkages between the economy, infrastructure, and trade growth. The literature has shown a positive relationship between trade and economic development. Stimulating trade has been one of the major policies in developing countries. However, the underperformance of the infrastructure systems that links these countries with their international markets is considered one of the major concerns. Investments in infrastructure have increasingly been used to improve the infrastructure quality, thus stimulating trade and economic growth in developing countries. Nevertheless, a number of infrastructure challenges faced by developing countries remain. This raises the question about the efficiency in the use of public investments in infrastructure.

Examining how to use public investments in infrastructure more efficiently to support trade and economic development, this study found the answer in the way infrastructure of a country is planned and built. This study also attempts to isolate key factors in the process that could limit the efficient use of public investments in infrastructure. From the literature review, these factors could be categorized into two groups: factors in the planning process and factors in the implementation process. In the planning process, these factors include inadequate capacity for estimating and monitoring of rates of return of infrastructure projects; politicized decision making; transparency and accountability problems; and institutional weaknesses in decision making. In the implementation process, these factors include lack of political commitment in the implementation of infrastructure development plans; problems in land acquisition; corruption in infrastructure construction; shortages of local construction firms' capabilities and resources; and institutional and legal weaknesses in infrastructure construction.

This book discusses these factors in the case of Vietnam. A longitudinal survey was carried out to examine the developmental trends of the efficiency of public investments in infrastructure construction to support trade and economic growth

over time. A questionnaire survey and in-depth interviews with respondents from both government agencies and nongovernment agencies were conducted to identify key factors affecting the efficient use of the public investments. Respondents from the government sector were selected from relevant government agencies involved in policy making as well as planning for construction, infrastructure, and trade of Vietnam. Respondents from nongovernment agencies included financial institutions, traders, developers, consultants, and contractors involved in investing and delivering infrastructure, as well as in utilizing infrastructure services for trading activities. There are four major factors that this book found critical to the current use of public investments in infrastructure in Vietnam including institutional capacity of the government, transparency and accountability in infrastructure development, land acquisition, and building capacity of local firms. A model of the impacts of these factors on the efficient use of public investments in infrastructure was examined and validated. Among these factors, poor institutional capacity of the government lies at the root of the inefficient use of public investments in infrastructure. The current fragmented way of planning and implementing infrastructure policies requires better coordination across sectors and levels.

Findings of the study supplement the understanding of the role of government in the theory of coordination failure in economic development. Major theoretical implication of the findings is that there is a strong need for the government to take the lead in ensuring that public investments in infrastructure lead to long-term and sustainable growth. Practical contributions of the study are also achieved by more precisely pinning down constraints on state capacities across infrastructure planning and delivery, explaining the effects of these constraints, and illuminating the potential scope for reform in policy and planning for infrastructure development.

Infrastructure Investments in Developing Economies

The Case of Vietnam

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2015, XIV, 258 p. 34 illus., 25 illus. in color., Hardcover

ISBN: 978-981-287-247-0