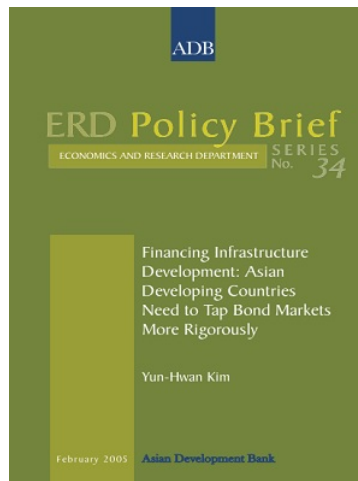


Financing Infrastructure Development: Asian Developing Countries Need to Tap Bond Markets More Rigorously

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Financing the development of physical infrastructure in a timely and proper fashion in developing countries has always been on top of the development agenda, given the severe resource constraints in these countries. Theoretically there exist several financing instruments and sources, including fiscal resources mobilized through tax revenues, issuance of equities and bonds, and

international and domestic short-term borrowing (e.g., from commercial banks). Each method involves varying degrees of advantages as well as risks.

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Asian developing countries (ADCs) have usually mobilized the needed financial resources by traditional means: through fiscal efforts and official external aid, while leaving bond markets untapped. This tendency is rooted in the perception that infrastructure financing should be the purview of the government, not only because of the strategic significance of development

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infrastructure to the economy but also due to the large magnitude of the costs for development and maintenance and the long gestation period associated with the cost recovery that places serious disincentives to private investors.

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