

3rd OECD Forum on Governance of Infrastructure

In the Public Interest: Delivery of Sustainable, Transparent and Inclusive Infrastructure

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SESSION NOTES

In partnership with:



Long-term
Infrastructure
Investors
Association



Session 1

Mapping governance and policy issues across the infrastructure policy cycle

Governments need to maintain or restore the trust of citizens in public investments and to provide a predictable and equitable business environment for firms and investors. This means ensuring that infrastructure projects are selected and delivered in a way that benefits society as a whole, striking the right balance between potentially competing objectives and in line with social, economic and environmental sustainability standards and incentives.

To do this, policy and decision makers need to carefully manage a number of risks and challenges that can occur throughout the policy cycle. These risks range from policy capture, economic uncertainty and fiscal risk, to poor regulatory coordination, insufficient transparency and sometimes corruption. In combination with the multiplicity of stakeholder and interests involved, poor management of these risks may lead to the wrong project choices, time delays, cost overruns and inefficient delivery of services - leaving the public interest undermined. According to McKinsey lack of sufficient risk management of large infrastructure projects may lead to direct value losses of US\$1.5 trillion globally between 2013 and 2018 (Beckers et al, 2013).

Good governance is crucial to delivering high quality infrastructure in the public interest and to ensuring that risks and challenges are properly identified and well managed across the infrastructure policy cycle. Furthermore, good governance is a pre-requisite for drawing in private finance at sustainable levels; strong governance mechanisms are needed to translate a political vision into precise objectives and priorities, and that, ultimately, generates a pipeline of bankable projects that combine strong political backing with strategic relevance, technical and financial feasibility and delivery capabilities.

Recent research has shown that the quality of governance throughout the infrastructure governance cycle plays a major role in addressing these tasks, improving the effectiveness of public and private infrastructure investment and meeting the public need. Several studies (OECD, 2015a; OECD, 2013a; OECD, 2013b; IMF, 2015; WB, 2014) estimate that improvement in infrastructure management could lead to substantial savings and enhanced infrastructure productivity.

A coherent agenda for investments needs to weigh the costs and benefits soberly, use evidence to drive decision-making (further discussed in Session 4), while at the same time giving genuine voice to citizens to deliver not only efficient, but sustainable, transparent, and inclusive infrastructure (further discussed in Session 2). The use of digitalisation and emerging technologies can be a powerful tool to support this process, reducing transaction costs, facilitating information sharing in a way that is fast, safe and traceable, providing new channels of communications between the government and citizens, and boosting data collection and analysis (further discussed in Session 3).

These challenges and others are by no means irreconcilable, but they require careful management. To do so, governments need to increase their governance capacity to help scale-up investment in infrastructure and to manage the risks that come with it. Management instruments, such as the Framework for Infrastructure Governance (OECD), or the IMF and World Bank Public Investment Management Assessment tools provide clear and comprehensive support to facilitate the management of quality investment in infrastructure, the significance of which is confirmed by the recently adopted G7 Ise-Shima Principles for Promoting Quality Investment in Infrastructure.

Questions for discussion

- What are the key barriers to increasing infrastructure investment today by the public and the private sectors both directly and in partnership?
- What are the necessary reforms in infrastructure governance to deliver more efficient and sustainable public investment as well as equitable business investment for investors?
- What are the priority areas for governance reform to ensure more efficient and sustainable public investments, as well as predictable and equitable business environment for firms and investors?
- What are the key risks to ensuring that these infrastructure investments are efficient, as well as sustainable, inclusive and transparent?
- What are the key lessons for the public and private sector to properly manage these risks?

Session 2

Consultation for inclusive infrastructure

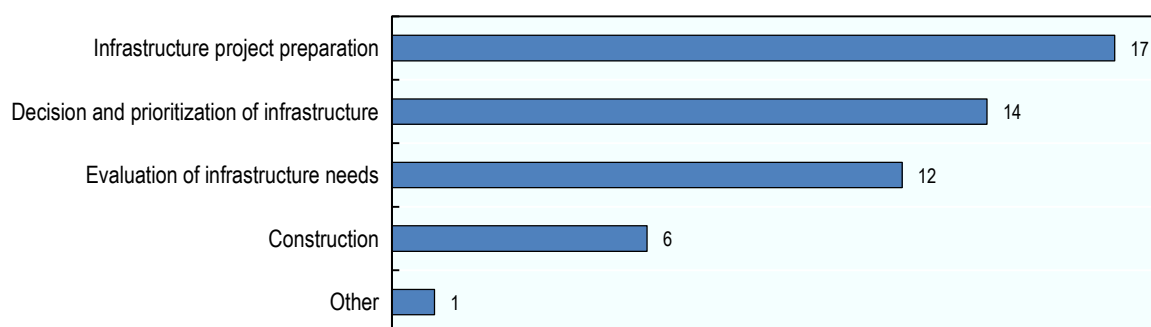
Transparent and inclusive systems for stakeholder consultation are an essential component of most areas of public policy today. For infrastructure policies, laws and large projects, well managed consultation and citizen engagement are needed to reinforce inclusiveness, accountability and transparency in both planning and delivery.

Well managed consultation in infrastructure development can yield significant benefits for governments, as well as for the general public and investors. Governments can, in theory, reduce public opposition and costly legal challenges by engaging with users upstream. Communities, for their part, can become advocates of their own needs and help to ensure that infrastructure decisions are made on the basis of sound evidence, thereby avoiding corruption and nepotism.

Successful public participation is an important way to guard the public interest, via the enhanced legitimacy and accountability of each investment decision and of the policymaking process in general. It also increases the overall social, environmental and economic value for the local or national economy by increasing the relevance and targeting of investments. Citizen participation can promote a sense of shared ownership of the project amongst stakeholders, and provide a transparent basis for accountability at later stages.

According to a recent OECD survey, most OECD countries employ some kind of mandatory consultation process for infrastructure projects. These consultations can take place at different stages of a project cycle, though most frequently at the project planning stage.

At which stages of development do consultation processes take place?



Source: OECD (2016), OECD Survey of Infrastructure Governance

However, while consultation and citizen engagement is recognised as necessary for good governance, it is not an easy undertaking. Key problems include ensuring that the public interest is fully captured rather than the interests of the most vocal groups, and demonstrating that consultation has had an influence on policy decisions in a meaningful way. As a result of these and other problems, consultation seems often to lead to frustration on all sides and generate delays and confrontation rather than efficiency and consensus.

This session will discuss how public engagement can be structured as a transparent, broad-based, but also cost-effective, process that takes account of the overall public interest, inspires dialogue between stakeholders, provides public access to information and draws on users' needs in an inclusive and open manner.

Questions for discussion

- How to design consultation and participation processes so that they are efficient and productive.
- What criteria does your country use for the geographic and sectoral allocation of public resources for infrastructure
- What innovative practices have been employed in your country to engage the public?
- What is the right timing for first consultation and what are other crucial stages for consultation and public engagement.
- How can a balance be struck between the rights of stakeholders negatively affected by infrastructure projects and the projects' contribution to society as a whole?

Session 3

Smart solutions – can new technologies and digitalisation improve infrastructure governance

Infrastructure has always been important to nations' economic growth but the infrastructure needed for today's economies is rapidly changing with advances in information and communications technology (ICT). This new infrastructure -some of it hybrid that integrates both the physical and digital aspects, some of it pure digital infrastructure – is crucial to delivering innovation and economic growth as well as the management and governance of infrastructure investment.

Digitalisation is having a dramatic impact on all aspects of public policy. While new technologies are often discussed in the context of digital infrastructure itself, such as self-driving cars and high speed broadband, the application of innovative technologies and digitalisation in governance processes, including procurement, financing, delivery and monitoring of infrastructure services, is of growing importance for policymakers. Technology can, in principle, help to improve the efficiency of infrastructure, reduce transaction costs and also support the quality of services through the improvement of transactional frameworks and structures.

Innovations and new approaches to transactions and administration, such as the internet of things, big data and blockchain, offer the possibility to share information in a way that is fast, safe and traceable, thereby raising and potentially resolving numerous governance challenges that infrastructure policymakers face. The use of blockchain could provide a common platform to execute the administration of infrastructure assets, such as through “smart contracts”, improved documentation, collection of usage fees, or to automate the execution of transactions.

However, there are also many less-cutting edge technologies that could be better used in order to ‘smarten’ governance practices. Examples include enhanced data disclosure, improved online information access, as well as procurement tools such as open contracting.

Managing information flows to improve infrastructure policymaking is still at an early stage, and the policy and regulatory environment is evolving. This is the case in OECD countries, and particularly in less-developed countries, but all countries have the opportunity to adopt technological solutions that allow them to leapfrog to best practice.

This session will discuss innovative approaches and new digital opportunities to improve infrastructure policymaking from the planning to delivery phases, while providing the necessary platform to reflect also on the potential risks and challenges that come with it, such as cybersecurity and data privacy.

Questions for discussion

We encourage participants to share more references in addition to the ones provided in the notes and presentations in order to enrich understanding of the role of digital technologies in infrastructure governance, such as:

- Examples of innovative approaches to infrastructure planning, procurement, financing, delivery, management and monitoring of Infrastructure
- What are the institutional, governance and capacity demands necessary to increase the use of digital technologies in infrastructure governance?
- Where are the main constraints, costs and benefits of using digital technologies in infrastructure governance?

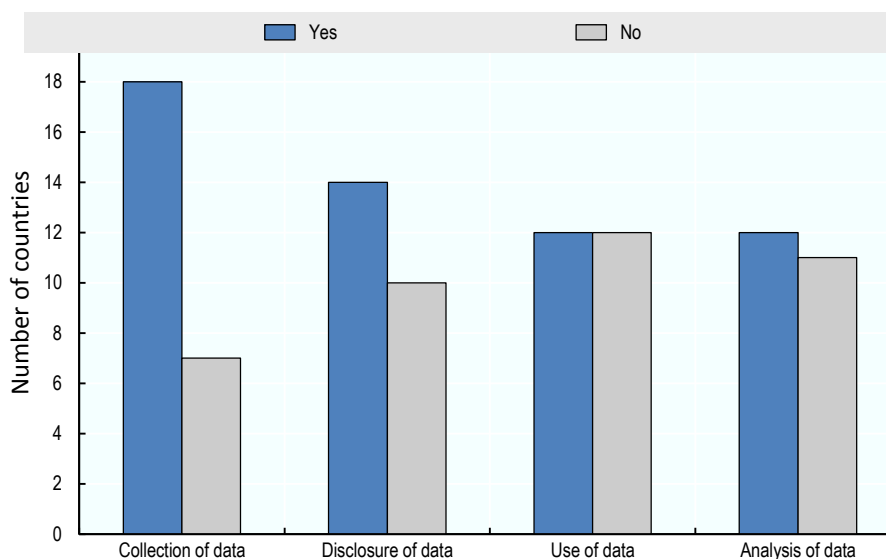
Session 4

How evidence-based decision making can help deliver infrastructure in the public interest

Good policies depend on good evidence. Better data has a clear value for government and the private sector with respect to strategic planning, prioritisation, delivery mode choice and monitoring. However, few countries systematically collect and use financial and non-financial data from infrastructure investments.

The lack of systematic data use relates to various fields, including the assessment of needs, evaluation of performance, financial resources, value for money, as well as institutional capacity. These data weaknesses currently undermine evidence based decision making and disclosure of key information. For example, good practice recommends the use of comprehensive cost-benefit analysis to assess which delivery modality, such as public works or PPP, is likely to yield the most value for money; yet, this process is challenging if the data are poor or incomplete.

Mandatory systems in OECD countries that ensure systematic collection and dissemination of relevant financial and non-financial data about the project.



Source: OECD (2016), OECD Survey of Infrastructure Governance

Improving the availability and disclosure of reliable, objective infrastructure data especially at asset and project-level would also help to identify present and future needs. There are no certainties, and many infrastructure projects must ‘gamble’ on the direction that economic, social, environmental or technological forces will move. This said, however, the lack of mechanisms for the systematic collection and analysis of data will likely inhibit the long-term planning and development of infrastructure that addresses society’s needs in an optimal manner. In fact, new technologies – as discussed in the previous session - have the potential to impact

how future infrastructure data will be collected and services are monitored and evaluated. For example, the digitalisation of things is dramatically impacting the availability of data, which in turn impacts the forecast of usage patterns and prices, which can ultimately reduce the uncertainty and complexity for investors and the public sector.

Improved availability of data also has benefits for many other stakeholders, such as civil society, regulators and auditors. Increased transparency via the provision of infrastructure data can hold governments as well as private sectors stakeholders more accountable with respect to both their promises and commitments and their contractual obligations.

This session will explore progress with both national and international efforts, both public and private, to close the data gap and to develop benchmarks for infrastructure performance, including the discussions of the G20 G20/OECD Taskforce Task Force on Institutional Investors and Long-term Finance, as well as the needs of Private sector investors for deep data on infrastructure investment performance and project pipelines.

Questions for discussion

What are the main information needs of the public and private sectors to increase investment in infrastructure

- What are the main data gaps at project, national and international level to improve strategic infrastructure planning?
- Progress on public and private data initiatives to close the current data gap?
- How can the international community further cooperate to improve the collection, analysis and disclosure of data?

