

## OECD Southeast Asia Regional Programme (SEARP)

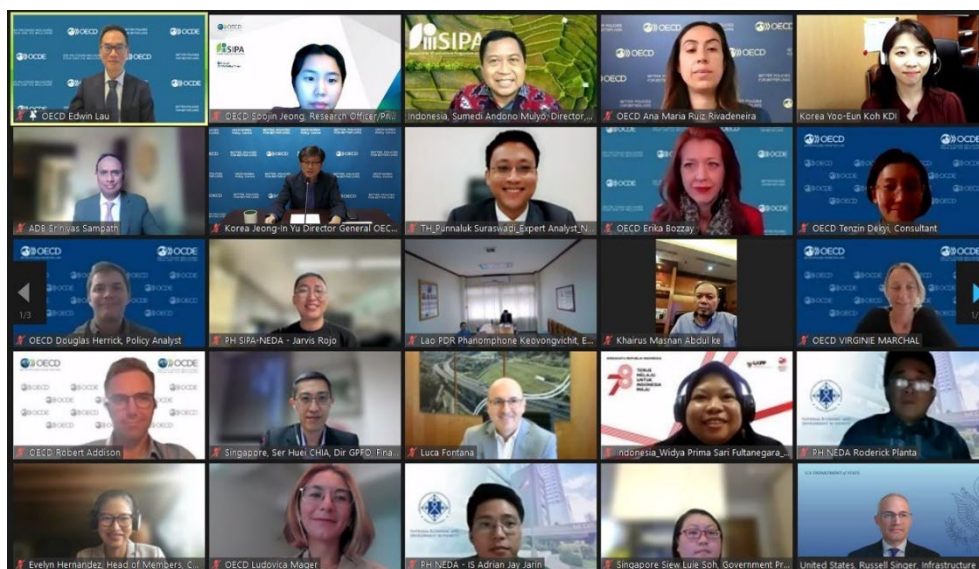
### 7th OECD Regional Policy Network Meeting on Sustainable Infrastructure

10 October 2023, Virtual Event, 09:00-12:20 CET

#### Summary note

The 7th OECD Regional Policy Network Meeting on Sustainable Infrastructure provided Southeast Asian (SEA) governments the opportunity to discuss effective infrastructure governance strategies to deliver sustainable and inclusive infrastructure systems that are aligned with long-term priorities, including long-term climate and development objectives. The meeting gathered more than 90 participants from 10 OECD and SEA countries as well as international organisations, across ministries of finance, foreign affairs, public works, transport, national development planning, public procurement agencies, etc.

The meeting explored how international initiatives, principles, standards and tools, such as the [2020 OECD Recommendation on the Governance of Infrastructure](#) and the [Sustainable Infrastructure Programme in Asia \(SIPA\)](#), can support SEA governments make infrastructure more sustainable. In particular, the OECD Recommendation provides countries with practical guidance for efficient, transparent and responsive decision making processes in infrastructure investment to maximise value for money and benefits to the entire population. It supports a whole-of-government approach and covers the entire life cycle of infrastructure projects, putting special emphasis on regional, social, gender, and environmental considerations. The meeting provided a platform for OECD and SEA countries to share concrete experiences of how good infrastructure governance can be put into practice, and how the collect of [OECD Infrastructure Governance Indicators \(IGIs\)](#) can help countries benchmark their own practices and institutional arrangements.



## Session 1: Greening Infrastructure

### Overview

Infrastructure is a key enabler in reducing emissions and adapting to climate change. The OECD estimates that USD 6.9 trillion per year is needed until 2030 to achieve the goals of the Paris Agreement in alignment with the Sustainable Development Goals (SDGs) (OECD, 2017). This session looked at how the IGIs can support sustainable infrastructure outcomes at all stages of the infrastructure policy cycle, with a specific focus on the importance of long-term development plans and their link to infrastructure planning and decision making. The session included presentations from Indonesia and Thailand on how to better coordinate efforts across ministerial portfolios to further reduce emissions, improve the sustainability of infrastructure across SEA, and shift economies towards a pathway for the green transition. It included a presentation from Sweden on the levers that helped support the successful reduction of emissions in the transport sector.

### Key messages

- Infrastructure gaps present a major challenge for achieving the SDGs. Due to chronic underinvestment, the infrastructure stock today is insufficient to meet the SDGs. With infrastructure increasingly exposed to climate risks, countries are faced with the triple challenge of making infrastructure more resilient and reducing infrastructure-related emissions while meeting increasing demand for infrastructure services. What is built in the coming years will set emission trajectories for decades to come and determine our collective ability to achieve long-term development and climate goals. This calls for leveraging both public and private finance and building capacity of infrastructure decision makers.
- The climate transition calls for new governance arrangements to deliver an unprecedented wave of sustainable infrastructure. The [OECD Recommendation on the Governance of Infrastructure](#) highlights the processes and levers of infrastructure planning, financing, delivery and monitoring that would deliver robust long-term plans, ensure value for money, effective and efficient public procurement and environmentally sustainable and climate-resilient infrastructure.
- By informing capacity building, policy and decision making, the collection of IGIs aims to support the region in improving their infrastructure governance frameworks and to develop sustainable and inclusive infrastructure systems that are aligned with long-term sustainable development objectives. In particular, the IGI pillar on environmentally sustainable and climate-resilient infrastructure provides an overview of the different governance elements supporting environmentally sustainable and climate-resilient infrastructure: enabling conditions, planning, project appraisal, capital budgeting and financing and monitoring. For instance, the IGI can inform countries on how they can improve their project appraisal process to integrate environmental and climate considerations.
- The IGIs have been implemented in 35 OECD countries. Results of the IGIs for OECD countries suggest that while countries have developed a long-term strategic vision for delivering environmentally sustainable and climate resilient infrastructure, there is room for improvements for countries to integrate the strategic vision into effective governance arrangements throughout the infrastructure life cycle. For example, countries could make greater use of methodological tools such as cost-benefit analysis (CBA) or multi-criteria analysis to integrate environmental and climate considerations into project prioritisation and appraisal.
- Mr. Sumedi Andono Mulyo, Director of National Priority Infrastructure Projects Development and Planning, Ministry of National Development Planning (Bappenas) of Indonesia, highlighted the importance of good infrastructure governance to the country's long-term objective of becoming a high-income country. Indonesia is currently developing its Long-Term Development Plan (RPJPN) 2025-2045 with a focus on competitiveness, economic productivity, energy transition, digital transformation,

domestic integrated economy and the construction of a new capital city. However, challenges remain in improving infrastructure governance including corruption, lack of public sector capacity, complex regulatory environment and funding constraints.

- Indonesia's new capital Nusantara aims to showcase sustainable infrastructure development, characterised by green infrastructure, sustainable transport, renewable energy, circular economy and digital technologies to improve environmental performance. The country's priority actions for sustainable infrastructure include capacity building, wide collaboration (e.g., across sectors, levels of government, the private sector, civil society and academia), investment for climate and disaster resilience, and strengthening international cooperation. The SIPA programme is providing capacity development and technical assistance to Indonesia in those areas.
- Mr. Punnaluk Suraswadi, Policy and Plan Analyst Expert Level, Infrastructure Strategy Division, Office of the National Economic and Social Development Council (NESDC) in Thailand, highlighted the importance of long-term strategic planning for infrastructure to meet the needs of the people, the country and the political will. The country's National Strategy (2018-2037) incorporates the SDGs. There are 23 Master Plans under the National Strategy which are aligned with different SDGs. Thailand's Long-Term Greenhouse Gas Emission Development Strategy, submitted to the UNFCCC in the lead-up to COP26, aims to achieve carbon neutrality by 2050 and net zero emissions by 2065.
- Thailand has made progress across the SDGs. However, there is room for improvement in the 3 SDGs related to infrastructure. With regard to SDG 7 on affordable and clean energy, Thailand's Master Plan sets targets for increased renewable energy consumption to 16-22%, reduced natural gas use in energy production to less than 60%, improved energy intensity at 6.93 ktoe/Billion Baht and implementation of 11 projects using the smart grid technology. On SDG 9 on industry, innovation and infrastructure, targets are set for raising infrastructure competitiveness ranking to top 38, reducing logistics costs per GDP to less than 11%, increasing efficiency of cross-border logistics to higher than 3.6 points and the modal share of rail in freight to 7%. On SDG 11 on sustainable cities and communities, there are targets for increased share of public transportation in the Bangkok metropolitan region to higher than 40%. The country is currently implementing several projects to achieve these targets.
- Mr. Bjorn Hasselgren, Senior Advisor, Swedish Transport Administration (Trafikverket) shared the experience of Sweden when it comes to improving the mainstreaming of environmental goals in one specific sector: transport. Sweden's Climate Policy Framework consists of the National Climate Law, National Climate Adoption Targets, the Government's Climate Plan, the Climate Policy Council and specific assignments to government agencies and administrations. At the highest level, the National Climate Law provides the structure of climate emission reduction measures and activities. The Government's Climate Plan outlines the medium-term activities and monitors progress on the National Climate Adoption Targets while the Climate Policy Council independently evaluates if targets set are being met. At the implementation level, specific assignments are given to government agencies and administrations. In the transport sector, Sweden's actions to reduce emissions include a range of short and long-term interventions and span between changes to transportation systems (i.e., vehicles, systems and planning) and changes to infrastructure systems: electrification of vehicles, introduction of biofuels, CO<sub>2</sub>-reduction measures, minor adjustments to infrastructure, promoting transport efficiency and CO<sub>2</sub>-smart transport infrastructure.
- When planning new interventions (e.g., maintenance, reinvestments, new investments), Sweden uses the CBA to factor in CO<sub>2</sub> emissions. The country has also developed a methodology, the social-cost curve to measure the social cost of measures to reduce CO<sub>2</sub> emissions to help identify and prioritise cost-effective measures of reducing CO<sub>2</sub> emissions. The social-cost curve looks at how much each measure costs compared to how much CO<sub>2</sub> emissions they can reduce. Ongoing actions to improve Sweden's energy and climate policy include an increasing focus on costs associated with climate adaptation actions.

## Session 2: Value for Money in Infrastructure

### Overview

Recognising the urgent challenges that the global community faces, achieving value for money in infrastructure investments is essential for countries to deliver solutions under tight fiscal constraints. Countries can ensure value for money by factoring in a wide range of social, economic and environmental benefits over the asset life cycle into their investment decisions. Delivering sustainable infrastructure also requires countries to have access to credible, efficient, transparent and sustainable certification frameworks and international standards, as promoted by the [Blue Dot Network \(BDN\)](#), to create a level playing field and build trust around quality infrastructure investments. This session included presentations focused on how SEA countries can improve investment outcomes by strengthening CBA for environmental, social and governance (ESG), as well as the evaluation of economic criteria.

### Key messages

- To ensure value for money of new projects, it is important to consider the costs at all stages of the asset's life cycle. Infrastructure investment requirements relate not just to new structures, but also to maintenance, upgrade and management of existing infrastructure. Maintenance often makes up a substantial proportion of the cost of an infrastructure investment over its operational life span. Investment needs should be based on an analysis of total costs including beyond construction also operations and maintenance (O&M), adaptation and decommissioning. The CBA should be supplemented by methodologies like the multi-criteria analysis to accommodate more long-term goals - such as environmental sustainability.
- Mr. Roderick Planta, Assistant Secretary, Investment Programming Group, National Economic and Development Authority (NEDA) from the Philippines presented the Value Methodology (VM), a systematic approach used by a multidisciplinary team to improve the value of a project, product or process through the analysis of functions and resources. The potential savings from using the VM is greater at the earliest stages of the project life cycle, i.e., during planning. NEDA provides resources for implementing agencies in conducting VM studies for major infrastructure projects. In 2009, NEDA launched a [Value Analysis Handbook](#) (updated in 2022) to guide the government in achieving value for money in major development projects, optimise infrastructure expenditures, and increase efficiency and effectiveness of said projects. The Philippines is pursuing the institutionalisation of VM to extract the best value for money from capital-intensive and high-impact developmental projects.
- Ms. Koh Yoo-Eun, Specialist, Head of Global Cooperation Team, Public and Private Infrastructure Investment Management Center (PIMAC) from the Korea Development Institute presented Korea's appraisal (Preliminary Feasibility Study or PFS) framework discussing how the mechanism integrates environmental and social factors and informs infrastructure prioritisation. The country ensures value for money in infrastructure investment through the gatekeeping of projects based on quantitative and qualitative assessment of economic, policy, and balanced regional development analyses, and the analytical hierarchy process (AHP). The AHP is a multi-criteria decision making technique to combine quantitative and qualitative elements of evaluation to produce quantitative results. It allows to compare the weighted results of the economic, policy and balanced regional development analyses and informs the project approval. In alignment with its climate targets, Korea is increasingly integrating social and environmental factors into feasibility appraisal using both economic (e.g., GHG and air pollution reduction, environmental benefits) and policy analyses (e.g., employment, safety, public acceptance). The PFS improves fiscal efficiency, budget allocation and decision making by incorporating both quantitative and qualitative analyses. However, challenges remain, with increased demand to identify and incorporate quantitatively the non-monetized social and environmental values, requiring further research.

- In addition to the IGIs, Mr. Russell Singer, Infrastructure Development Unit Chief, Office of Development Finance, Bureau of Economic and Business Affairs from the U.S. State Department showcased two programmes that the United States is supporting to improve value for money in infrastructure in the SEA region. Firstly, the BDN is an initiative aimed at helping infrastructure projects to harness existing international standards to ensure value for money. It was founded by the United States, Australia and Japan, joined by the United Kingdom and Spain in the BDN Steering Committee. Under the initiative, a project developer seeks certification that the project meets the highest standards for quality infrastructure. The goal of the initiative is to fill the infrastructure gap by mobilising private investment. The framework includes specific requirements under ten elements including environmental and climate issues, anticorruption, life cycle cost, debt sustainability, local capacity building, human rights, gender, etc. Mr. Singer also highlighted a second initiative, the Transaction Advisory Fund (TAF), which allows countries to apply for funding for infrastructure advisory services e.g., lawyers, engineers, accountants and consultants, who can assist with strategic projects and ensure sustainable, transparent and high-quality infrastructure development.
- Mr. Srinivas Sampath, Director, Water and Urban Development Sector Office - Emerging Areas from the Asian Development Bank presented the Asia Pacific Project Preparation Facility (AP3F) which is a multi-donor trust fund that provides technical assistance to promote public-private partnerships. It aims to increase infrastructure development and enhance the quality of infrastructure in Asia and the Pacific, and commits to contribute to the shared and common goals of climate change mitigation and adaptation, and gender equality. The ADB has also developed a range of new financing tools to address climate financing challenges in SEA. For example, the Climate Innovation and Development Fund is a concessional financing fund to support sustainable low-carbon economic development by increasing the pace, scale, and ambition of climate solutions and contributing to the clean energy transition. Similarly, the ASEAN Catalytic Green Finance Facility (ACGF) is an ASEAN Infrastructure Fund initiative supporting governments in SEA to prepare and finance infrastructure projects that promote environmental sustainability and contribute to climate change goals. The ADB and the ACGF set up the Blue SEA Finance Hub to help SEA governments develop and finance bankable ocean health projects and to build a sustainable blue economy in the region.

### Session 3: Infrastructure Procurement

#### *Overview*

Public procurement is critical to ensure the timely and efficient delivery of infrastructure, as well as to take sustainability issues into account at the contract design and purchasing stage. There are several steps countries can take to achieve value for money from the procurement of infrastructure, including open, neutral, competitive and transparent procurement processes, engagement with the market and its supply chains, adopting a risk-based approach across the investment life cycle, investing in procurement workforce capacity and developing robust and transparent contract processes. This session included presentations on best practice infrastructure procurement, with insights from the SEA region on the opportunities and challenges related to providing guidance and steering green public procurement of infrastructure.

#### *Key messages*

- Public procurement strategies influence the strategic choices around infrastructure development, aiming to maximise the value generated for society. Given public authorities' role as major consumers with sizeable purchasing power (on average 12% of GDP in OECD countries), public procurement can be an important lever for incentivising innovation, the adoption of new technologies and the transition towards sustainable infrastructure systems. In accommodating these

policy goals, procurement processes should also safeguard transparency and objectivity. At the same time, there is a growing importance of measuring the impacts of public procurement strategies in achieving multiple policy objectives, in particular green objectives.

- Mr. Chia Ser Huei, Director (Government Procurement Function Office), Ministry of Finance in Singapore discussed how the country integrates sustainability and value for money in infrastructure procurement. Depending on industry readiness, the country uses targeted approaches to green public procurement either through requirements (used when industry is ready, i.e., pushing the laggards), evaluation criteria (to drive behaviours when industry is not ready, i.e., encourage early adopters) or both. In the solution-focused approach, these requirements and evaluation criteria are used for procuring greener goods/services while in the supplier-focused approach, they are used for procuring from suppliers that have demonstrated commitment (beyond the goods/services) to go green. However, several challenges remain for ensuring sustainability and value money in infrastructure procurement including a lack of common sustainability standards, likely high costs for first movers of new sustainable requirements before achieving economies of scale, difficulty in assessing life cycle costs accurately, rising costs amidst fiscal constraint, and global events and uncertainty impacting supply chain stability.
- Mr. Luca Fontana, Director, Engineering and Construction Business Unit, Autostrade per l'Italia in Italy presented the country's model for monitoring of Third Parties to ensure responsible business conduct in infrastructure contracts. The model aims to identify, evaluate and define adequate response strategies with respect to the risks deriving from exposure to relationships with Third Parties (e.g., clients, suppliers, contractors). It is developed according to a risk-based approach, aimed at optimal risk management with its counterparties and entails a coordinated business strategy; governance structures and clearly assigned responsibilities; and formalized processes/procedures and supporting systems. The model aims to stabilise supply chain, raise awareness among stakeholders, promote competition and equal treatment, establish balanced relationships, minimise impacts on operations and business and enable continuous improvement of Third Party performance. The governance of Third Parties is characterised by three levels of controls with public and public operating units at the first level, risk, compliance and Health, Safety and Environment (HSE) units at the second level and audit functions at the third level. As an example of how Italy deals with Third Parties, the Protocols of Legality are agreements that contracting authorities may conclude with the prefecture and the general contractor to define the methods for implementing the measures to prevent and combat mafia infiltration in public contracts. The legal framework for protocols of legality is composed of a series of legislative and regulatory provisions.
- Ms. Evelyn Hernandez, Head of Members and Affiliates from the Infrastructure Transparency Initiative (CoST) presented the Infrastructure Transparency Index (ITI). The ITI measures levels of transparency and quality of disclosure processes related to public infrastructure procurement. Its objective is to improve accountability and transparency performance at procuring entity level, national or sub-national level. The development of the ITI is aimed to create an agenda to work together to improve capacities, process and disclosure on infrastructure procurement. The ITI is designed based on the principles of relevance, comprehensiveness, replicability and simplicity. It covers four dimensions: enabling environment, capacities and processes, citizen participation and information disclosure. The nested structure of the ITI allows us to look at results at a more granular level. The ITI has been piloted in West Lombok Regency, West Nusa Tenggara Province, Indonesia.

## Closing remarks

The 7<sup>th</sup> OECD Regional Policy Network Meeting on Sustainable Infrastructure showed that there is an increasing consensus on the importance of infrastructure governance to deliver sustainable infrastructure.

IGI data for OECD countries demonstrates the increasing awareness of the impact of infrastructure governance on the sustainability of infrastructure. The IGIs will help SEA countries monitor the governance arrangements already in place and identify those needed to deliver sustainable infrastructure. They will also allow SEA countries to learn from and share experiences with other countries through events like the OECD Regional Policy Network Meeting on Sustainable Infrastructure. Under the activities of the Sustainable Infrastructure Programme in Asia (SIPA), the OECD Secretariat has launched the collection of IGIs in Indonesia, the Philippines and Thailand and is engaging with other SEA countries for further roll-out. Results of the SEA IGIs will be presented in the 2025 OECD SEA Government at a Glance publication. The SEA Government at a Glance is part of an OECD series providing reliable, internationally comparable indicators on government activities and their results in the region of SEA, with the last edition published in 2019. The Secretariat stands ready to support SEA countries in implementing the IGIs and hold workshops to guide through the process.

## References

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