



GOVERNANCE OF INFRASTRUCTURE

Supporting Quality Infrastructure in Developing Member Countries

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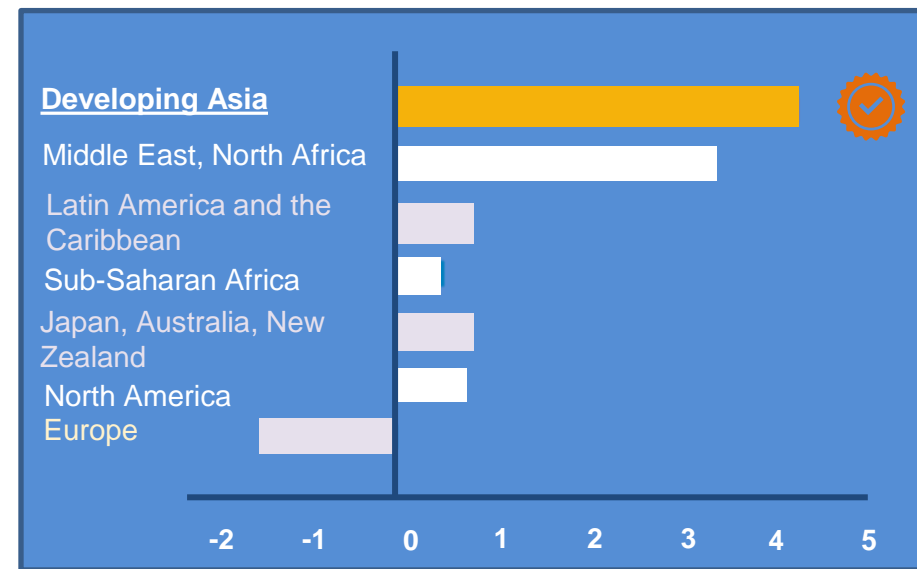


Development Challenges in Asia and the Pacific Region



Source: ADB. 2020. Asian Development Outlook Update, September 2020.
<https://www.adb.org/publications/asian-development-outlook-2020-update>

Figure 2: Greenhouse Gas (Carbon Dioxide Equivalent) Average Annual Emissions Growth in World Regions, 1990-2014 (%)



Source: *Asia's Journey to Prosperity Policy, Market and Technology over 50 years*. Asian Development Bank, 2020.

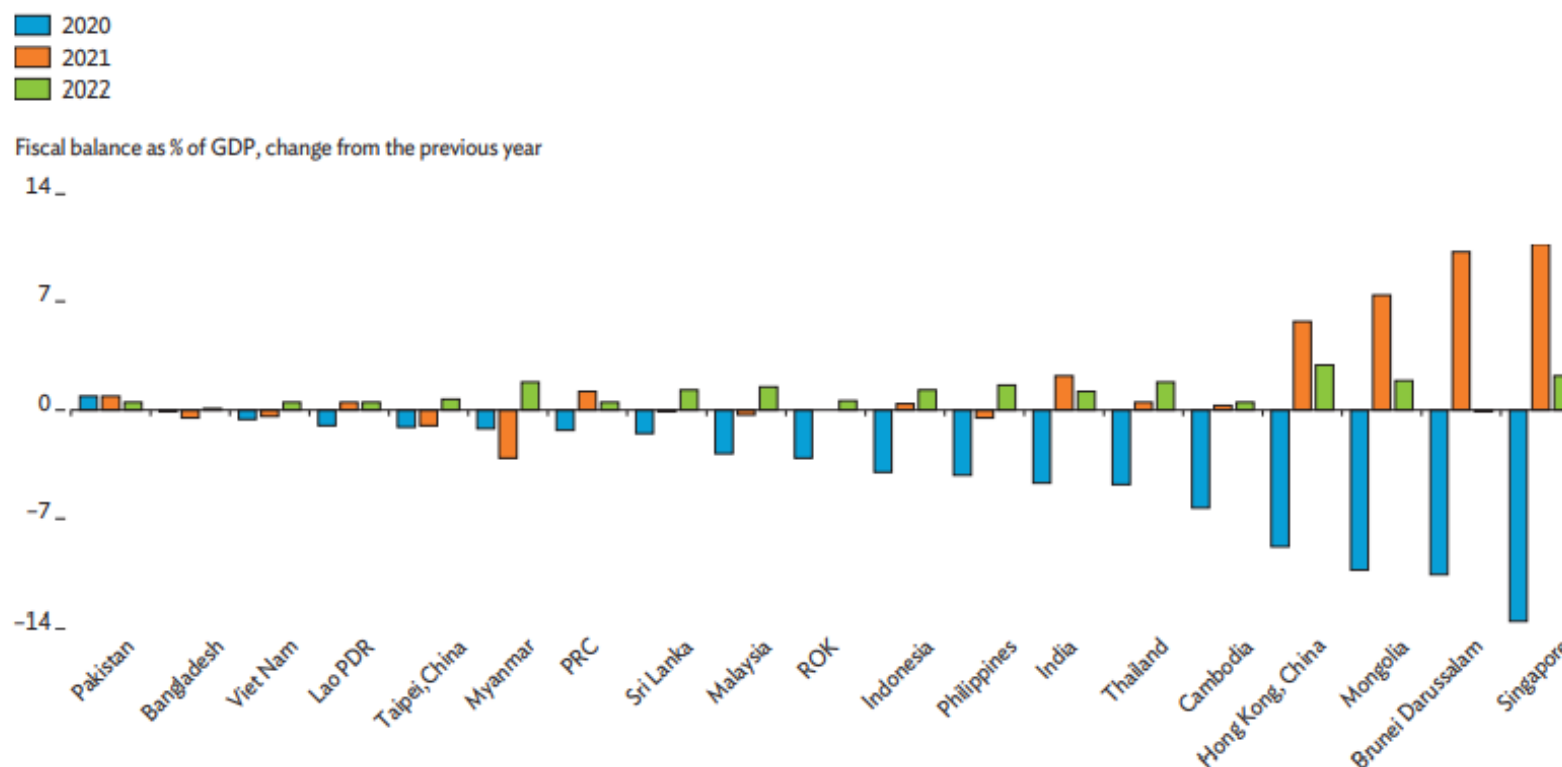
Note: Includes emissions from land use, land-use change, and forestry.

Source: Author's calculations from World Resources Institute. CAIT Climate Data Explorer.
<http://cait.wri.org> (accessed 26 October 2019).

Limited Fiscal Space Post-Pandemic for Infrastructure Investment

Figure 3: Fiscal space for infrastructure investment will decline post-COVID-19

Fiscal policy will remain accommodative in much of the region in 2021; consolidation is expected for 2022 or beyond.



GDP = gross domestic product, Lao PDR = Lao People's Democratic Republic, PRC = People's Republic of China, ROK = Republic of Korea.

Notes: Fiscal impulse is defined as the change in the fiscal balance, expressed as percentage of GDP, from the previous year. Positive changes in the fiscal balance indicate fiscal consolidation; negative changes indicate fiscal expansion. Data for 2021 and 2022 are forecasts.

Sources: FocusEconomics. 2021 FocusEconomics Consensus Forecast reports, September; Asian Development Bank estimates

... as Asian governments stepped in with a wide-ranging crisis response alongside existing spending priorities

\$22.6 trillion

- (i) Maintain growth momentum
- (ii) Poverty eradication

\$1.5 trillion per year (2016–2030)

\$3.4 trillion

to respond to climate change
\$0.2 trillion per year (2016–2030)

+ \$ 16.5 trillion

to meet SDG targets (2019–2030)

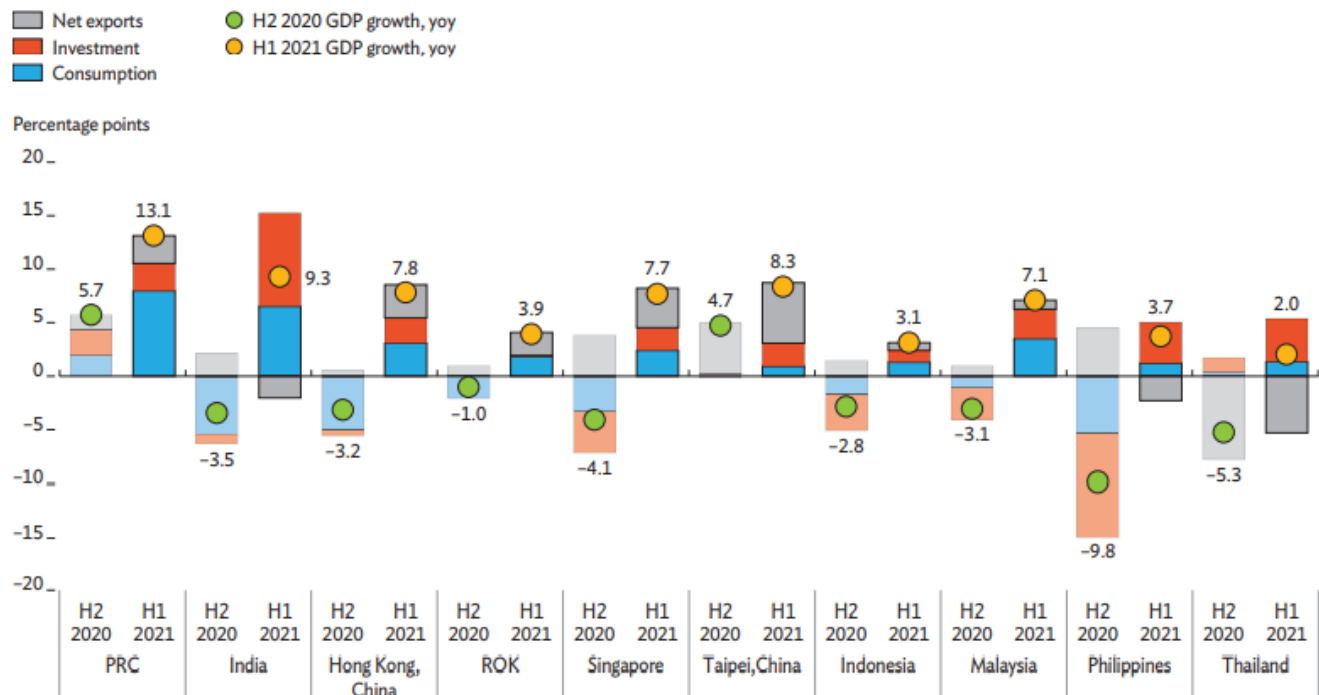


new commitments for SDGs
following the COVID-19
pandemic (2020–2030)

Figures are indicative only, given multiple data sources

Impact of COVID-19 on Asia and the Pacific

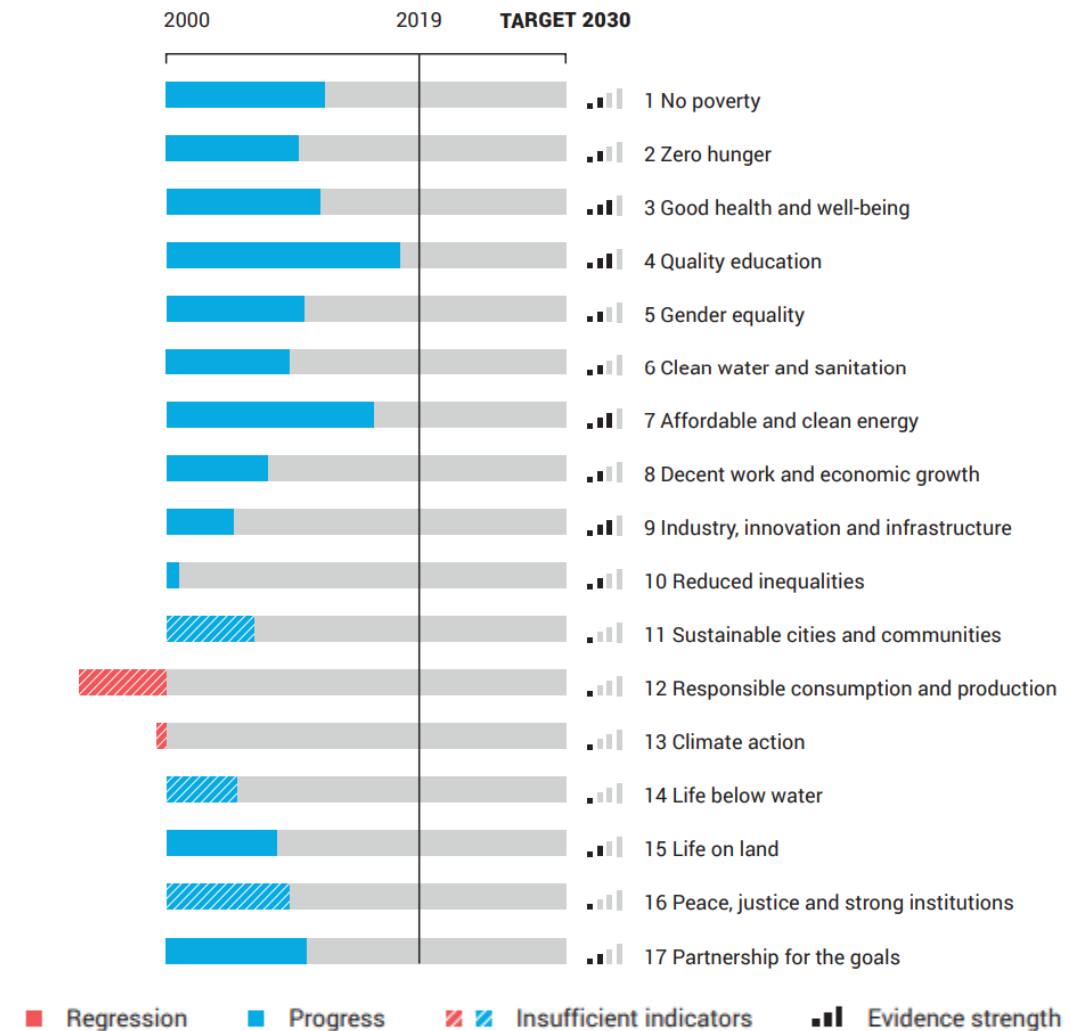
Figure 4: Economies that did better with COVID-19 vaccination and pandemic control tended to perform better



The recovery in Developing Asia will be heading in different directions. Stronger growth is expected in economies coping better with the COVID-19 epidemic. Source: Asian Development Bank Update September 2021

ADB. 2021. Asian Development Outlook Update, Septe
<https://www.adb.org/publications/asian-development-out>

Figure 5: Even before the COVID-19 pandemic, the region was not on track to achieve any of the 17 SDGs



Source: United Economic and Social Commissions for Asia and the Pacific 2020. Asia and the Pacific SDG Progress Report 2020.

Deconstructing QII

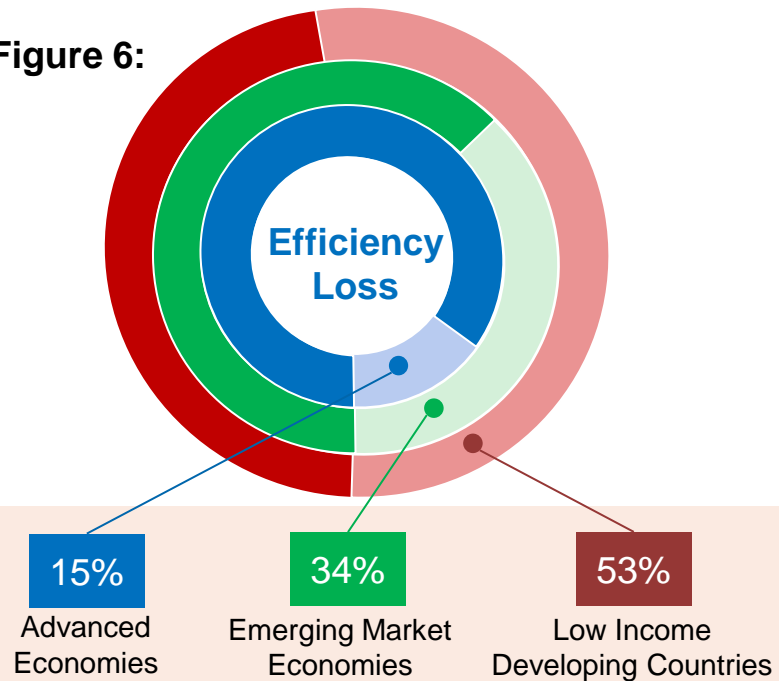
QII is all about enhancing **Value for Money** of Infrastructure Investments across 3 metrics

1. Efficiency

Road to nowhere

Countries waste anywhere from **30 to 50 percent** of money spent on infrastructure.
(percentage deviation from full efficiency)

Figure 6:

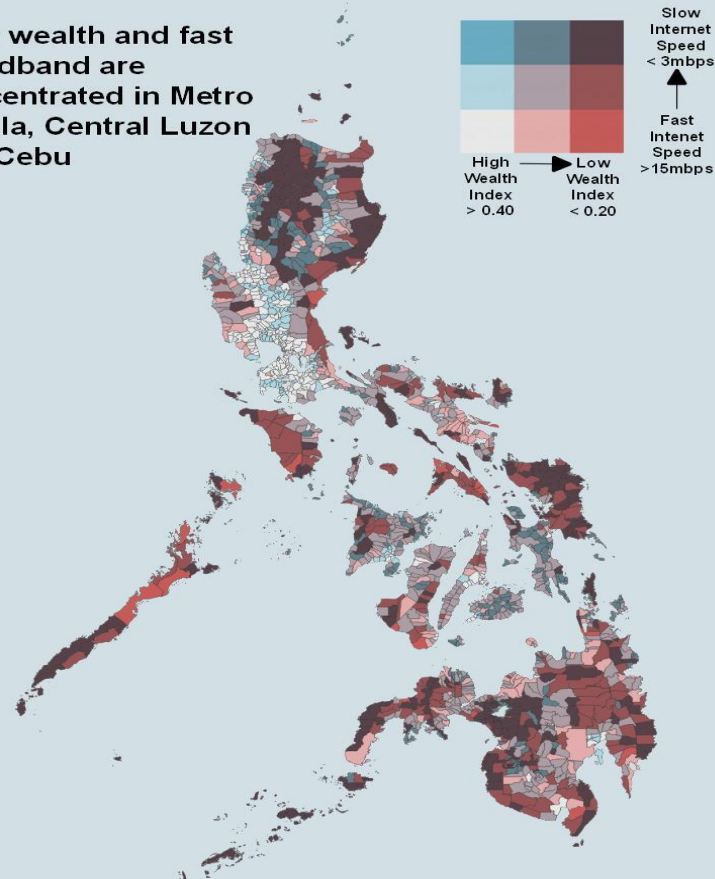


Source: IMF. 2020. [Well Spent : How Strong Infrastructure Governance Can End Waste in Public Investment](#). USA.

2. Accessibility

Figure 7:

High wealth and fast broadband are concentrated in Metro Manila, Central Luzon and Cebu



Note: Wealth index ranges from 1 (wealthiest) to 0 (poorest). Municipalities with high wealth/fast internet are within the top 25th percentile while municipalities with low wealth/slow internet are within the bottom 75th percentile.
Source: Thinking Machines Data Science and Speedtest by Ookla

3. Sustainability

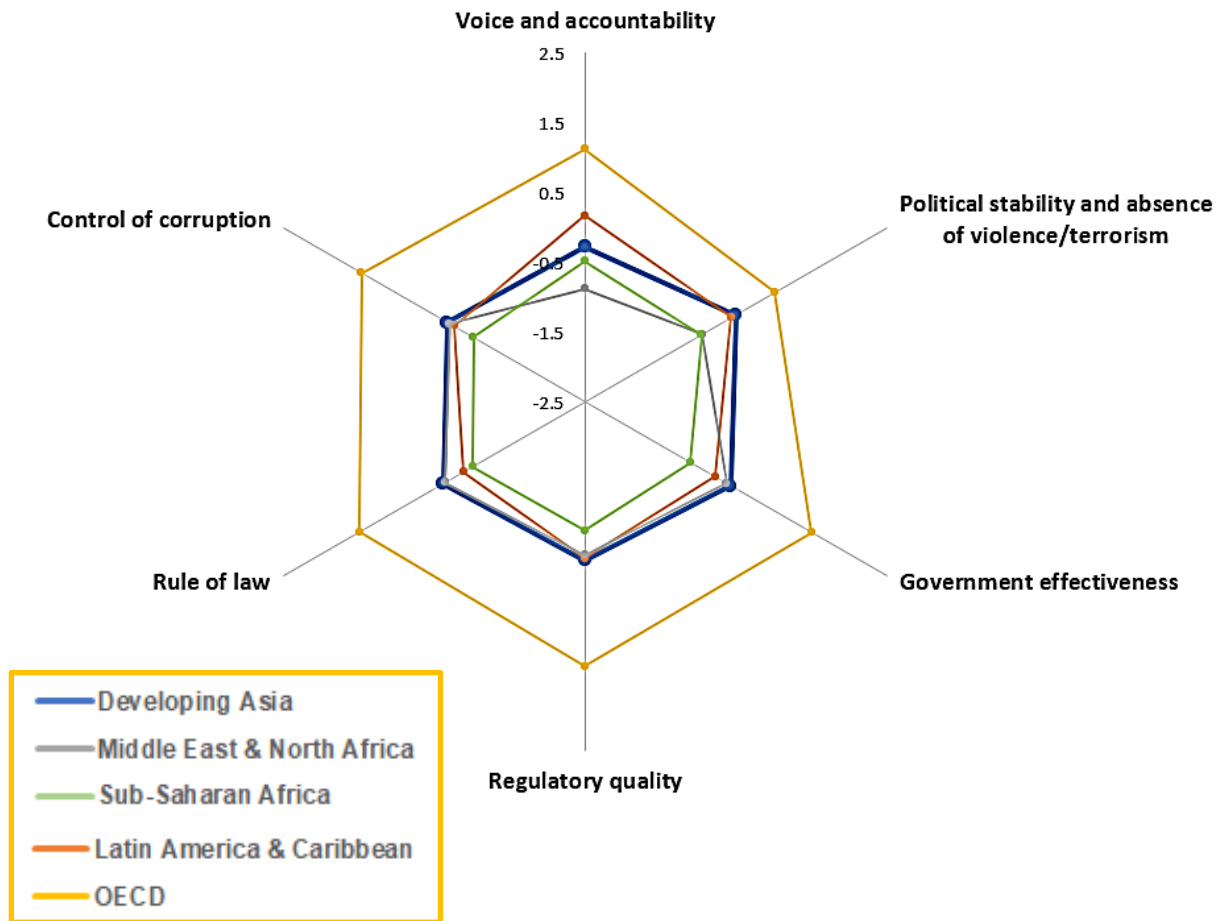


Figure 8:



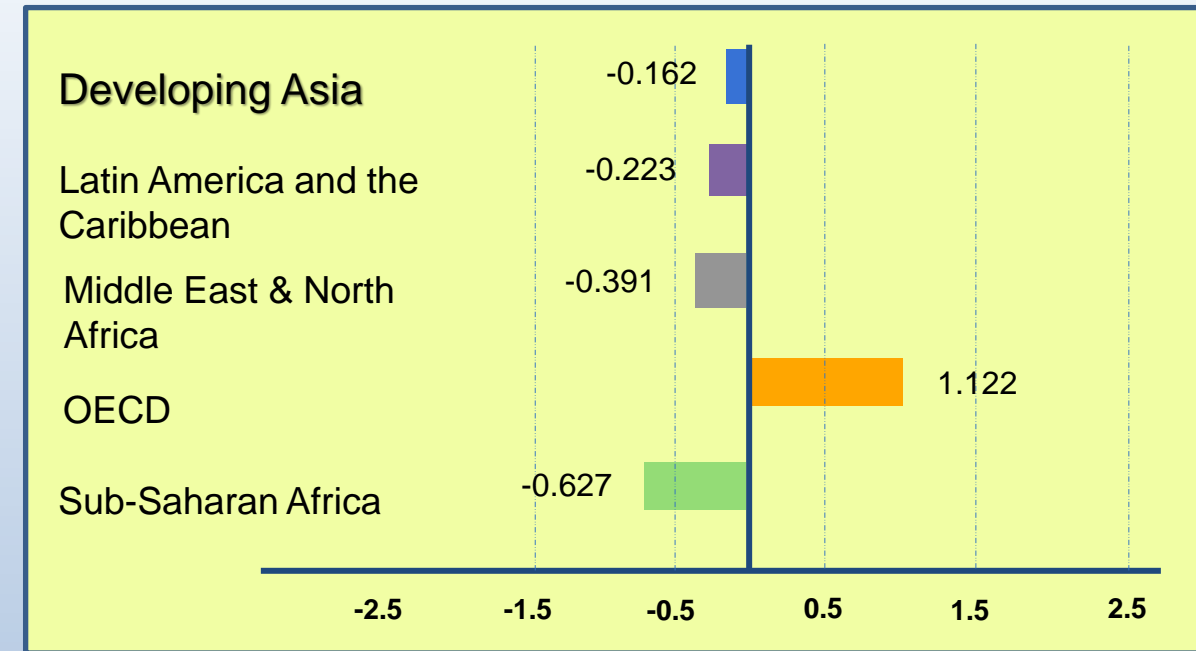
Governance Challenges in Developing Asia

Figure 9:
Worldwide Governance Indicators Estimate, 2018



Source: (Figures 11,12) The Worldwide Governance Indicators and ADB calculations;
A. Baluga, B. Carrasco. 2020. [The Role of Geography in Shaping Governance Performance.](#)

Figure 10:
WGI: Governance Index Estimate, 2018

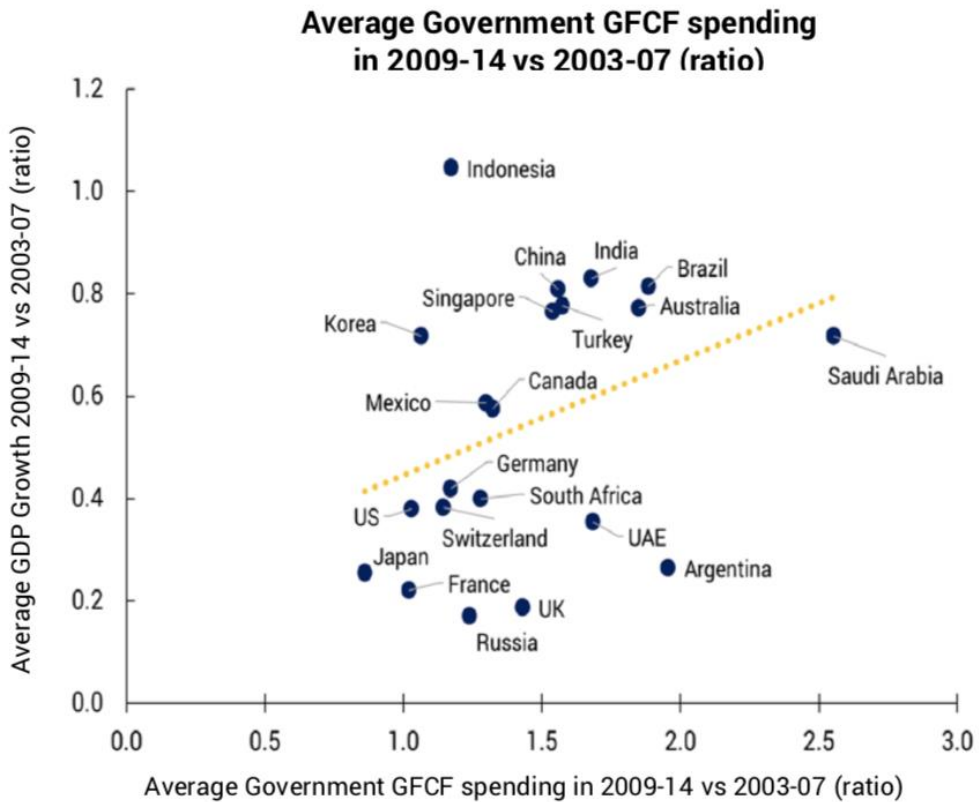


Note: The estimates are constructed as the sub-region non-weighted average for each of the various components of governance, namely, voice and accountability, political stability, government effectiveness, regulatory quality, rule of law, and control of corruption in 2017. Values range from -2.5 to +2.5, where a higher score reflects better governance.

COVID-19 Recovery: Infrastructure Investment for Sustainable Economic Recovery

Figure 11:

After the Global Financial Crisis, countries that increased public investment had better growth



Source: Global Infrastructure Hub 2020

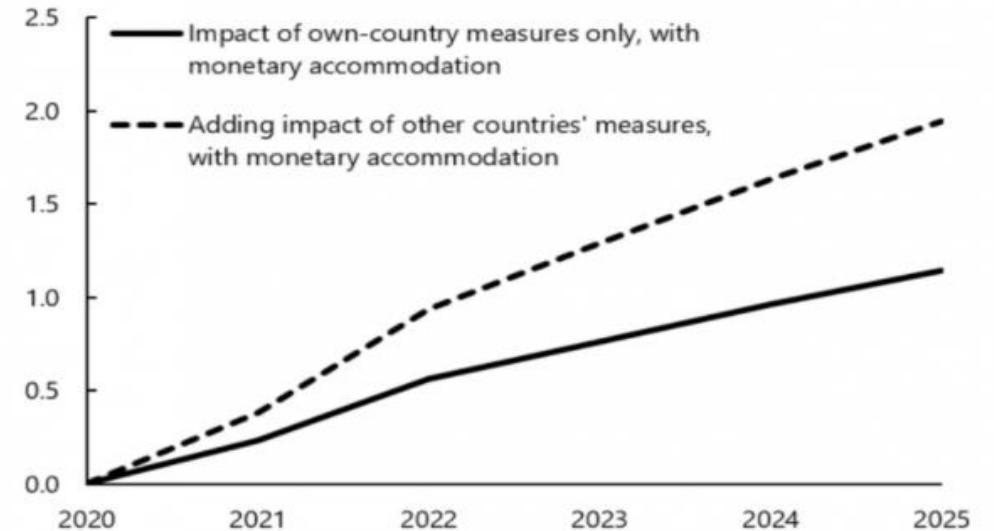
Figure 12:

Impact of Global Push for Infrastructure Investment

A synchronized approach

Global GDP could rise by nearly 2 percent if countries simultaneously invested in high-quality infrastructure improvements.

(percent deviation from baseline)



If countries act concurrently, public infrastructure investment can restore growth both domestically and globally by means of trade linkages

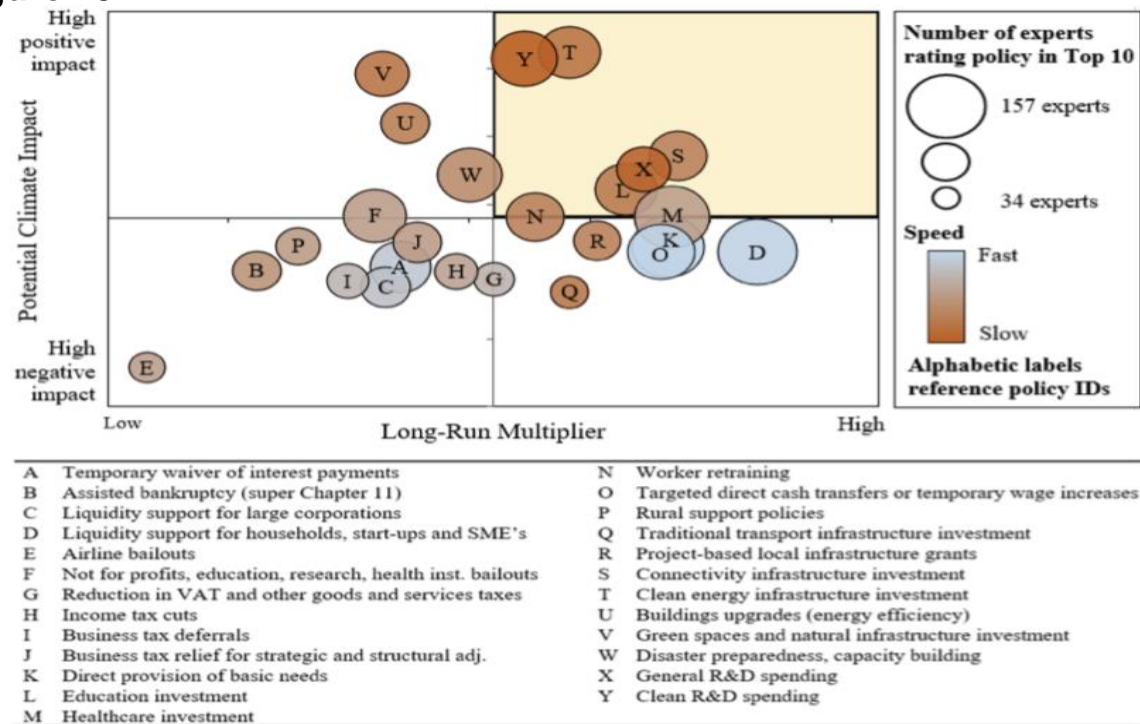
Source: IMF: G-20 Surveillance Note, November 2020

Role of ADB and Bilateral/Multilateral Agencies

Showcasing knowledge solutions

1. Showcasing QII through our operations

Figure 13:



Climate investment in the new normal is vital to maintain growth momentum and sustainability

Source: Hepburn, C., O'Callaghan, B., Stern, N., Stiglitz, J., and Zenghelis, D. (2020), 'Will COVID-19 fiscal recovery packages accelerate or retard progress on climate change?', Smith School Working Paper 20-02.

2. Knowledge generation/dissemination

Figure 14:



Source: IMF Public Investment Management Assessment missions, 2015–19.

Institutional Strength and Effectiveness of Public Investment

G. Schwartz, M. Fouad, T. Hansen, and G. Verdier.2020. [Well Spent : How Strong Infrastructure Governance Can End Waste in Public Investment.](#)

Supporting Quality Infrastructure in Developing Asia and the Pacific

Figure 15: Implementing QII for sustainable development infrastructure is about.....

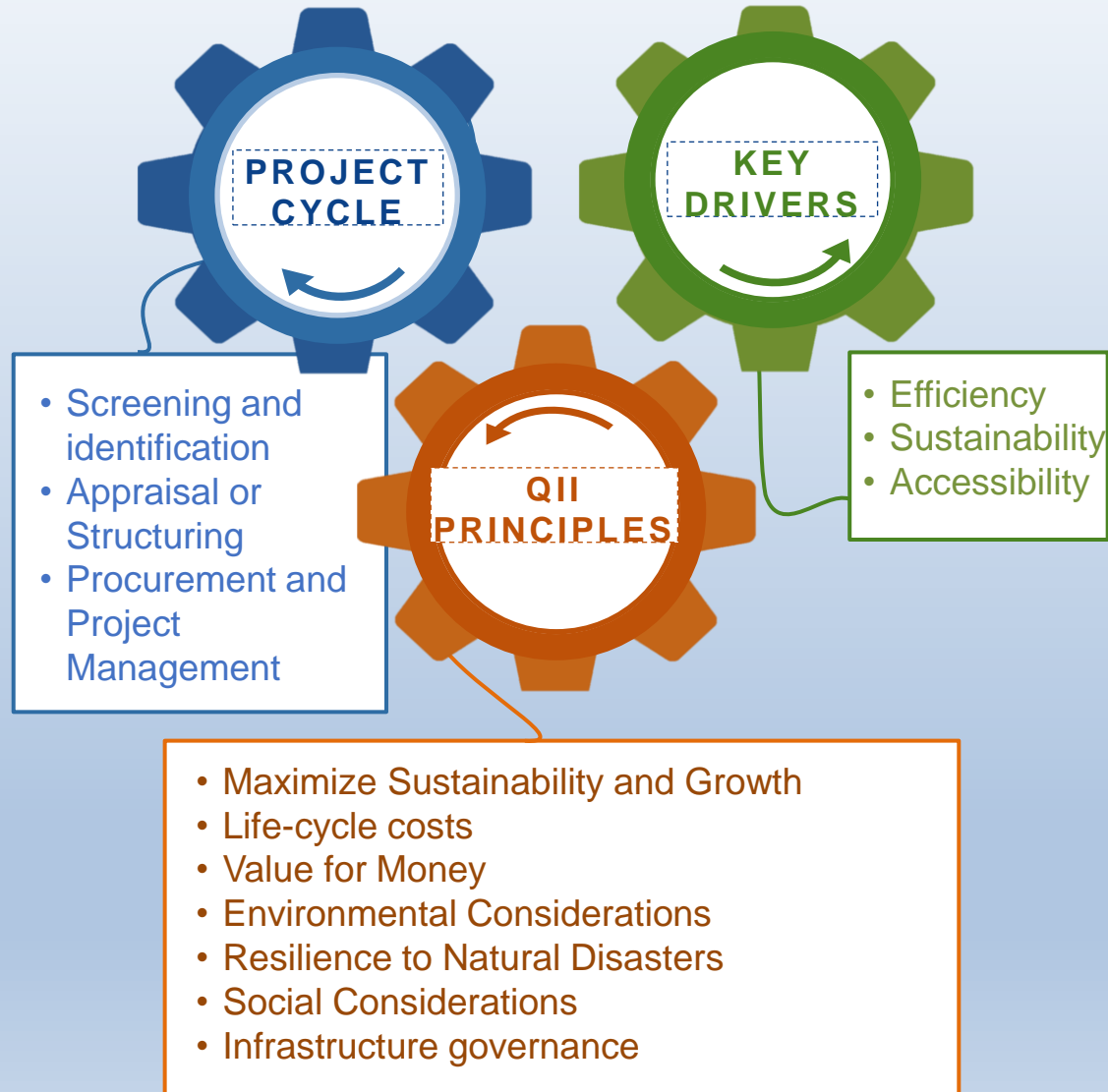


Figure 16: ADB Operations and QII

Legend: -- ADB Instruments/Filters

--QII Principles



Evolution of PPP Projects



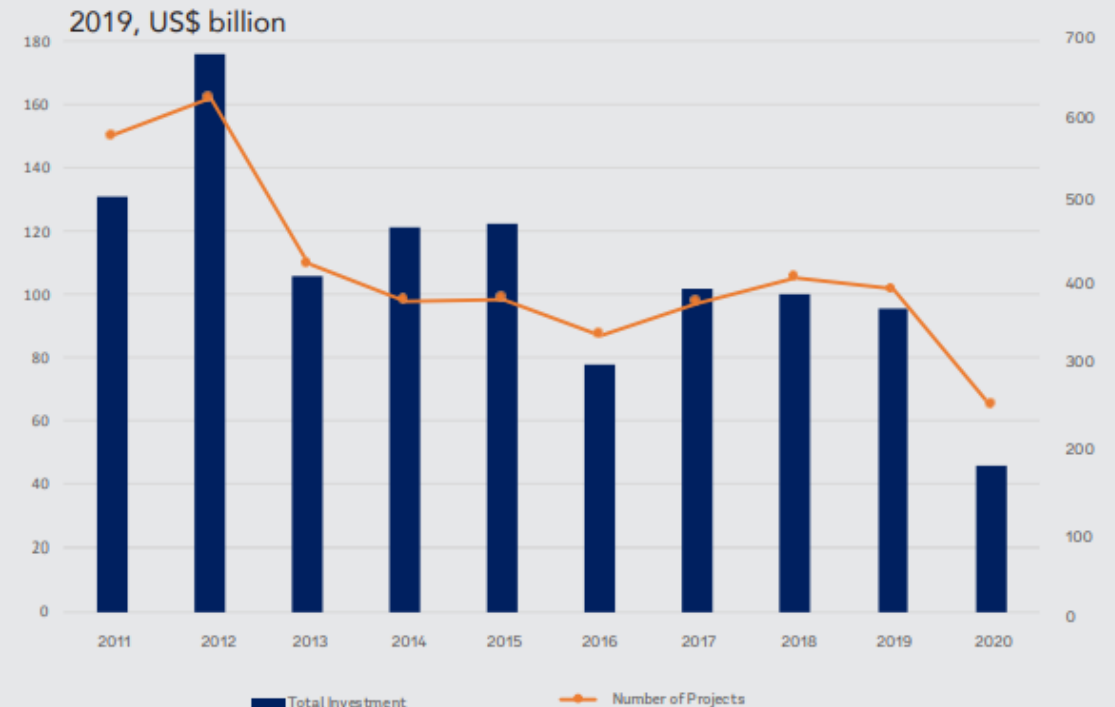
- Since 2012 there has been a declining trend in value and volume of PPP projects.
- On the private side, the risks associated with PPP transactions have become excessive and unpredictable.
- On the Government side, there is a perception that full value for money is not being realized.

Reference: Mark Moseley. 2020. Risk Allocation Reform and Creating More Collaborative PPPs. <https://www.adb.org/publications/restoring-confidence-public-private-partnerships>

Figure 17:

PPI Database Dashboard Data on PPP Projects 2011-2020

Investment commitments in Infrastructure Projects with Private Participation in Emerging Market and Developing Economies (EMDEs), 2011-2020



World Bank, PPI Data Base Annual Report, 2020

Value for Money Assessment

Figure 18:

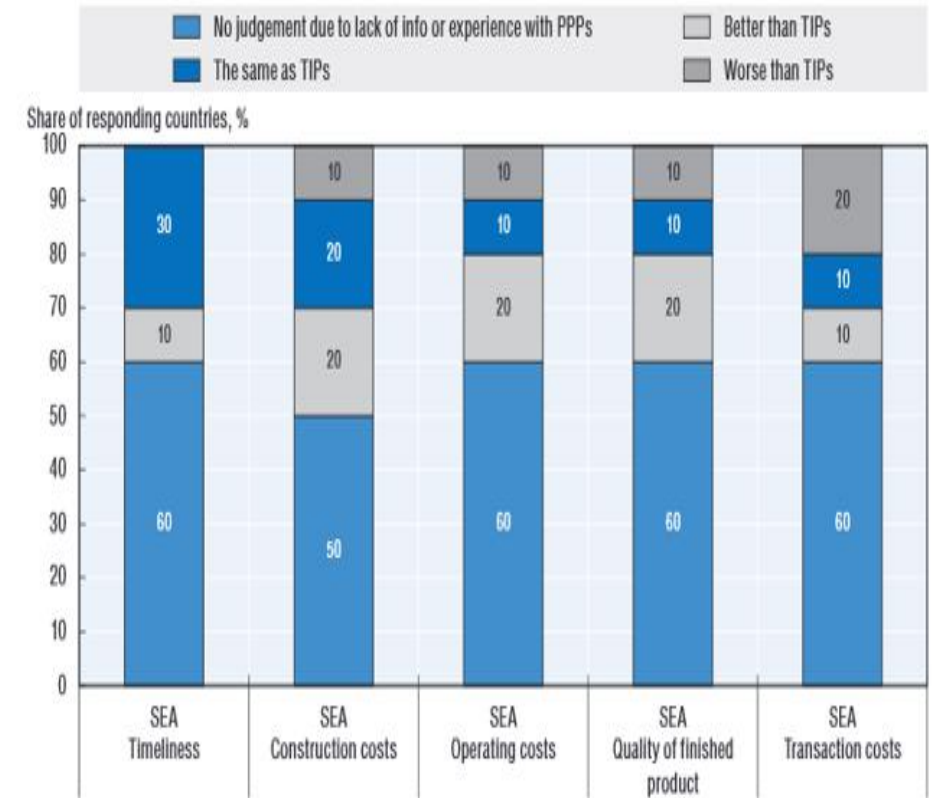
Dedicated PPP units and value for money assessment of PPPs and TIPs, 2018

	Use of public private partnerships	Existence of PPP unit				Use of relative value for money assessments		
		Dedicated PPP unit reporting to Ministry of Finance	Dedicated PPP units reporting to line ministries	Other PPP unit	No dedicated PPP unit exists in central/federal government	For PPPs	For PPPs	For TIPs
Brunei Darussalam	✓	✓				⊙	⊙	□
Cambodia	✓	✓				⊙	●	●
Indonesia	✓	✓				⊙	●	●
Lao PDR	✓				✓	●	●	●
Malaysia	✓			✓		●	●	●
Myanmar	✓				✓	⊙	⊙	⊙
Philippines	✓		✓			●	●	●
Singapore	✓				✓	⊙	⊙	⊙
Thailand	✓	✓				●	●	●
Viet Nam	✓		✓			●	●	●
SEA Total	10	4	2	1	3			
● Yes, for all projects						5	7	7
⊙ Yes, for those above certain monetary threshold						2	2	2
⊙ Yes, ad hoc basis						3	1	0
○ Yes, other						0	0	0
□ No						0	0	1
Australia	✓		✓			●	●	●
Japan	✓	✓				⊙	●	●
Korea	✓							
New Zealand	✓	✓				●	●	⊙
OECD Total	26	12	8	2	11			
● Yes, for all projects						9	11	9
⊙ Yes, for those above certain monetary threshold						5	4	5
⊙ Yes, ad hoc basis						2	2	1
○ Yes, other						5	3	4
□ No						5	6	5
x Not applicable / survey not answered						0	0	2

Sources: For SEA countries, OECD (2018) Budget Practices and Procedures Survey for Asian Countries. For OECD countries, OECD (2018) Capital Budgeting and Infrastructure Governance Survey.

Figure 19:

Countries' assessments of PPPs relative to TIPs along various dimensions, 2018



Source: For SEA countries: OECD (2018) Budget Practices and Procedures Survey for Asian Countries.

Support for Quality Infrastructure Public-Private Partnerships (PPPs)



ADB Graphics

Countries need improved **oversight** of Traditional Infrastructure Projects (TIP) and public-private partnerships (PPPs) and to **integrate QII principles** from upstream to downstream –

ADB's PPP Operational Plan 2012-2020

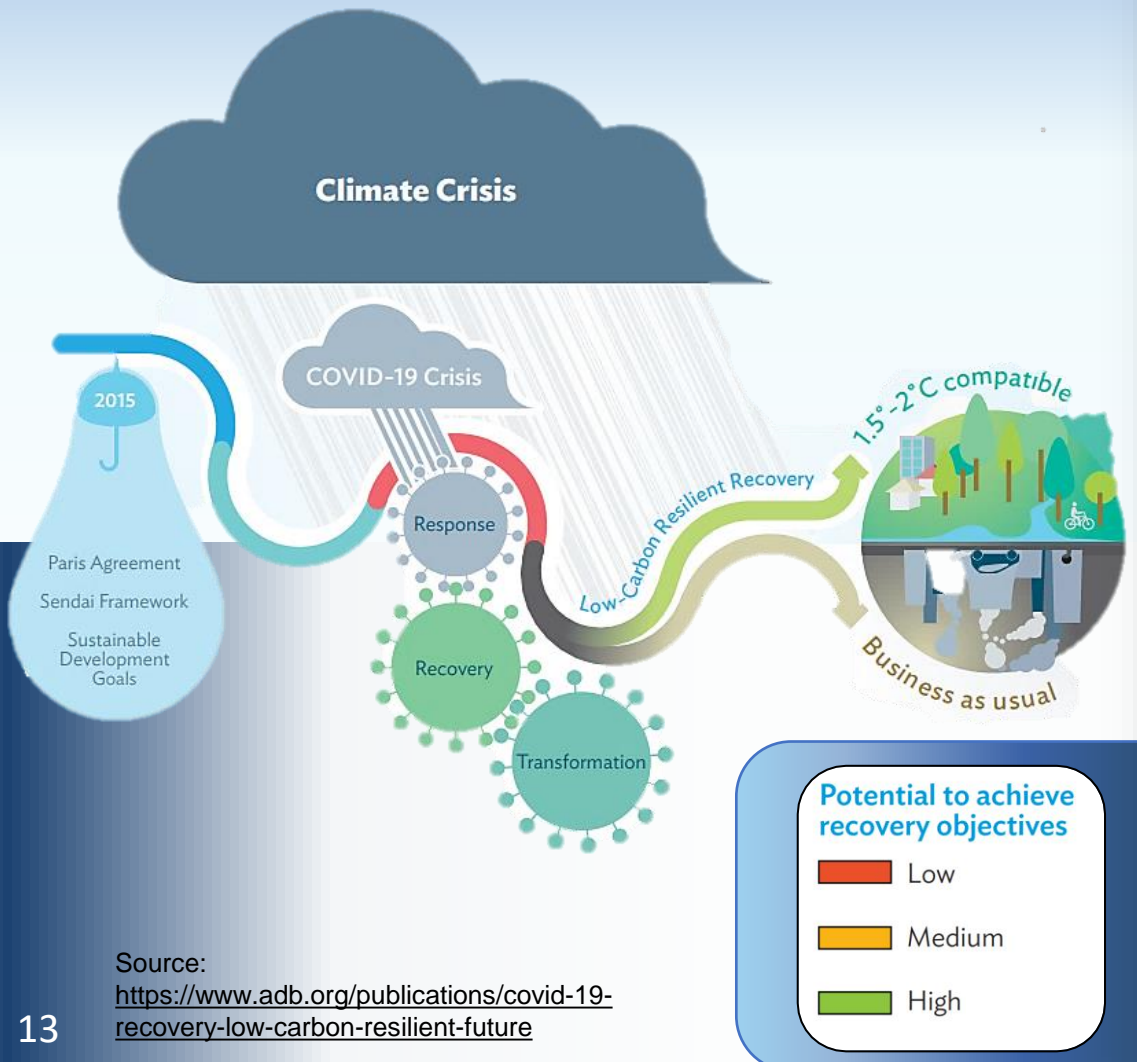
Figure 20:

Pillar 1	Pillar 2	Pillar 3	Pillar 4
Advocacy and capacity development	Enabling environment	Project development	Project financing
<ul style="list-style-type: none">• Create awareness• Invoke leadership• Identify PPP potential in sector planning and the private sector development agenda• Development capacity of government and ADB staff• Enhance external knowledge management links	<ul style="list-style-type: none">• Develop policy, legal, regulatory, and institutional framework to facilitate, guide, and manage the development of PPPs (country- or sector-specific)	<ul style="list-style-type: none">• Align ADB project cycle to the PPP development process• Assist in the development of pathfinder projects• Provide support (including advisory support) throughout the process up to contract award and/or financial close that can come as expert support, tool kits, funding costs of transaction advisors, or procurement support	<ul style="list-style-type: none">• Provide credit enhancement products, e.g., equity, long-term debt, refinancing subordinate debt, cofinancing, and guarantees• Establish credit guarantee facility• Provide public sector financial support through schemes such as viability gap funding

Feedback / Design Guidance

Resilient Recovery Interventions

Figure 20: Framework for Assessing Low-Carbon and Resilient Recovery Interventions



Source:

<https://www.adb.org/publications/covid-19-recovery-low-carbon-resilient-future>

Recovery Measures	Requirements of COVID-19 Recovery Measures							
	Short Implementation Timeline	High Employment Intensity	Skills Development	Strong Supply Chain	High Economic Multiplier	Contribution to the Productive Asset Base	Support for Long-Term Transformation	Positive Environmental and Social Outcomes
Low-Carbon Development								
Investment in low-carbon (renewable) energy production and energy storage infrastructure	Medium	High	High	Medium	High	High	High	High
Extension and modernization of the grid to support higher renewable penetration	Medium	High	High	Medium	High	High	High	High
Public procurement program for the purchase and installation of energy efficient appliances, lighting, and digital devices for public buildings	High	High	High	High	Medium	High	High	High
Incentives for home renovations and retrofits, such as low- and zero-energy measures, in affected regions	High	High	High	Medium	Medium	Medium	High	High
Introduction of green tax regimes, e.g., carbon taxes, carbon price floor (for industry)	Low	Low	High	Medium	High	Medium	High	High
Planning of urban green redevelopment/regeneration and sustainable spaces (smart cities)	Low	Low	High	Medium	High	High	High	High
Development and scale-up of radical transport (universal and comprehensive public transport/car-free movement)	Low	Low	High	Medium	High	High	High	High
Climate and Disaster Resilience								
Reorientation of labor market programs to support resilience building measures (e.g., water resource conservation, reforestation)	High	High	Medium	Low	Medium	Medium	High	High
Development of climate-resilient agricultural value chains	Medium	High	High	High	High	High	High	High
Investment in protective infrastructure to strengthen resilience (e.g., coastal protection, flood defense)	Medium	Medium	Medium	Medium	Medium	Medium	High	High
Active labor market policies and economic stimulus to support job creation in resilience sectors	Medium	High	High	Medium	High	Medium	High	High
Introduction of policy reforms to enhance resilience (e.g. payment for ecosystem service schemes)	Medium	Medium	Low	Medium	Medium	High	High	High
Transformation of rural food and land-use systems, including a shift to sustainable and resilient production	Low	Medium	High	High	High	High	High	High
Risk-sensitive land-use management	High	Low	High	Medium	Medium	Medium	High	High

Key Messages

- Adopting a “**One ADB**” approach. Quality infrastructure requires expertise and knowledge in a range of areas across the institution to address complex and cross-cutting governance and development challenges and to develop integrated solutions.
- Embedding infrastructure governance as part of the **Country Partnerships Strategy**. An integrated infrastructure governance diagnostic assessment at the CPS level is required to have maximum impact. ADB already has an array of instruments/filters that correspond to infrastructure governance
- A greater focus on **Upstream and Midstream support** to improve infrastructure governance and strengthen public investment management including the capacity to assess and cost out climate risks in the medium-term fiscal frameworks. Realizing value for money across the life cycle of infrastructure assets will require a greater focus on upstream and midstream institutional capacity to strengthen public investment efficiency of DMCs.





Thank you

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