Fourth OECD Forum on the Governance of Infrastructure

Delivering Quality Infrastructure – Meeting the Governance Challenge

17th April, 2019, OECD Headquarters, Paris

The OECD Forum on the Governance of Infrastructure is hosted by the Network of Senior Infrastructure and PPP Officials and is organized by the Public Governance Directorate of OECD. The fourth edition of the Forum highlighted the value of this annual meeting as the main arena to share, propose and discuss effective good governance practices to ensure infrastructure delivers the socioeconomic outcomes that they are intended to achieve. The Forum gathers decision-makers and stakeholders from the public and private sectors in order to exchange experiences discuss best practices and reflect on the new challenges surrounding the Governance of Infrastructure.

Quality infrastructure investment aims at maximizing the economic and social impact of infrastructure and create a virtuous circle of economic activities. **Infrastructure governance** is at the core of quality infrastructure investment and provision. However, until now, much of the debate on infrastructure has focused on the financing challenges and the broader public governance dimension has been neglected.

The **OECD Forum on Governance of Infrastructure** looks at the governance frameworks, standards and instruments needed to ensure that infrastructure delivers the socioeconomic outcomes that they are intended to achieve. This year, the Forum brought together more than 204 decision-makers from diverse backgrounds. The event benefited from a strong attendance of civil society organisations; private sector representatives; international bodies such as EIB, GIH, EBRD, ADB, WB and IMF; and the support of the event's key partners - the Long-term Infrastructure Investors Association, the Infrastructure Transparency Initiative, the Sustainable Infrastructure Foundation, and the World Bank. The 2019 meeting discussed some of the most effective good governance practices to ensure quality infrastructure delivery. The key messages of each session are summarized below.

Good governance is essential to ensure that infrastructure projects are economically and financially viable, and that the overall national investment programme is sustainable

- Poor management of infrastructure policy places pressure on public finances and eventually can deprive citizens and businesses of necessary high quality infrastructure. Good governance supports affordability by establishing a strong link between the project's investment and the fiscal framework of the country.
- Governments undertake multiple investments at any one time. Robust capital budgeting systems are essential for governments to have sight of current and forecast investment activity in aggregate. The Ministry of Finance has a central role in ensuring affordability and long term sustainability, for example by green-lighting large projects.
- Furthermore, the following policy recommendations can support these efforts: a formal requirement to account for contingent liabilities and running/maintenance costs, a formal set of criteria to determine project prioritisation, approval and funding, a whole lifecycle costing vision to infrastructure projects, and policy documents and processes to ensure competitive tender process.
- Likewise, a country's overall infrastructure expenditure and the fiscal risks it carries in terms of guarantees should be based on medium and long-term fiscal projections and regularly updated.

New technologies and data analytics can help to shed new light on potentially corrupt practices in the infrastructure sector

- Corruption carries high direct and indirect costs when it comes to public investment in infrastructure. Impacts include scarcity of essential services, lower quality services and misallocation of public funds. Indirect costs comprise lower incentives to innovate and less trust in government institutions.
- By linking the policies, objectives and tools of digital government with those for safeguarding integrity, governments can tap into innovative ways to prevent corruption and fraud, sharpen managerial decision-making and calibrate control activities based on risks.
- While procurement is a high-risk area for corruption, governments should hone their risk assessments to account for corruption and fraud risks across all phases of the infrastructure project cycle for a more comprehensive, multi-stakeholder approach.

- Open data, big data and administrative data can be uniquely beneficial for testing assumptions and perceived risks that can bias qualitative approaches to corruption risk assessments. For instance, in collaboration with the OECD, the Airport Group of Mexico improved its data governance and employed data analytics to create a corruption risk index to better identify and react to corruption risks in the construction of an airport.
- In a digital age, governments and individuals responsible for managing risks should be sceptical of shiny objects; dashboards and visualisations are useful, but it is how the results of corruption risk assessments are used for decision-making that matters most.

Good regulatory frameworks facilitate investment by providing stability and trust for both providers and users of infrastructure.

- As citizens appear to be losing faith in the ability of infrastructure providers to offer affordable and high-quality services, regulators tasked with overseeing infrastructure performance, related services and prices face a challenging task: improving infrastructure delivery and attracting investment while protecting affordability. Regulators in Australia and Scotland shared their approaches to improving trust and understating customers' priorities by promoting dialogue between service providers (in the energy and water sectors respectively) and consumer representatives in early engagement efforts.
- Therefore, it is important to: ensure that economic regulators have adequate independence from both government and the industry so that they can make evidence-based, impartial regulatory decisions about infrastructure quality and prices.
- Aim to have stable, predictable regulatory environments in order to create an enabling and supportive environment for investment by the private and public sector.
- Support engagement efforts that bring together infrastructure service providers and customers, under the guidance of regulators, to enhance citizens' trust in the institutional frameworks for infrastructure delivery and better reflect customers' choices in decision-making

Governments should adopt a system approach for infrastructure resilience based on partnerships with infrastructure stakeholders

- In a dynamic risk landscape, increased interdependencies between infrastructure assets require that governments shift from asset protection to system-resilience to limit the risks of service disruption and their cascading economic impacts.
- Governments should thus forge partnerships with infrastructure stakeholders to share information on risks and vulnerabilities and prioritise investments for critical hubs and nodes whose failure would cause the most damage in case of disruption. The UK National Infrastructure Commission provided a clear example of how an independent body can provide a government with impartial and expert advice on infrastructure resilience challenges through the Resilience Study Scoping Consultation.
- Key governance challenges are related to information sharing and cost sharing for resilience investments. Finding the right combination between mandatory and voluntary frameworks to enhance stakeholder engagement are essential to overcome these challenges.
- Participants agreed that the OECD Policy Toolkit for Governance for Governance of Critical Infrastructure Resilience provides a useful framework for designing and implementing critical infrastructure resilience policies. Going forward, the OECD will support its implementation by developing benchmark indicators and country case studies.

Further reading

G20 Anti-Corruption Working Group (ACWG) Good Practices Guide for Promoting Integrity and Transparency in Infrastructure Development

OECD (2019), Reference Note on the Governance of Quality Infrastructure Investment, OECD Publishing, Paris

OECD (2019), Good Governance for Critical Infrastructure Resilience, OECD Publishing, Paris

OECD (2019), Analytics for Integrity Data-driven approaches for enhancing corruption and fraud risk assessments, OECD Publishing, Paris

OECD (2019), Budgeting and Public Expenditures in OECD Countries, OECD Publishing, Paris

OECD (2019), Envirnment Policy Paper No. 15 Sustainable Connectivity: Closing the Gender Gap in Infrastructure, OECD Publishing, Paris

OECD (2017), Getting Infrastructure Right: A framework for better governance, OECD Publishing, Paris

OECD (2017), The Role of Economic Regulators in the Governance of Infrastructure, OECD Publishing, Paris

Pittman, R (2018), The Underappreciated Connection between Rail Restructuring Strategies and Financing, Review of Network Economics, 16(2).