2022 OECD Infrastructure Forum

Sustainable Infrastructure for a Greener Future

11-12 October 2022 - OECD Headquarters, Paris (France)

OECD INFRASTRUCTURE FORUM HIGHLIGHTS

The OECD Infrastructure Forum provided infrastructure practitioners with a timely opportunity to discuss effective infrastructure investment approaches to meet climate and economic challenges. The Forum covered the latest developments in infrastructure planning, financing, delivery, and decision-making to maximise the benefits of infrastructure to societies and economies as we transition towards a greener future. These practices are underpinned by the OECD Recommendation on the Governance of Infrastructure.

Over 350 participants followed the Forum, with speakers from OECD and non-OECD countries, the International Trade Union Confederation, Asian Infrastructure Investment Bank, Inter-American Development Bank, European Bank for Reconstruction and Development, International Finance Corporation, Coalition for Disaster Resilient Infrastructure, Infrastructure Transparency Initiative (CoST), International Coalition for Sustainable Infrastructure and the International Institute for Sustainable Development.

The Forum was part of the OECD's Infrastructure and Public Procurement Week, a five-day event, which included the annual meetings of the Senior Infrastructure and PPP Officials Network and the Leading Practitioners of Public Procurement Working Party, and the Task Force on Long-term Investment and Financing.

The climate crisis requires an urgent new approach to infrastructure planning, financing and delivery.

- A successful climate transition will be enabled by bold – even disruptive – changes in infrastructure investment that enable alternative sources of energy, reduced consumption and circular economy principles, and greater infrastructure resilience, such as through nature-based solutions.
- Governments can start by getting their system right, *e.g.* by setting long-term development plans that incorporate Sustainable Development Goals, environmental, social and governance (ESG) considerations and international climate commitments; and linking these to their infrastructure planning. Long-term planning and funding should be coordinated across the national and subnational levels (see the OECD Recommendation on Public Investment Across Levels of Government). Credible plans provide both a roadmap for climate transition and send clear signals to financial and construction markets of government intentions and political will.
- Delivering a pipeline of investable and sustainable infrastructure projects will depend on the capacity of national and subnational governments to incorporate sustainability criteria into project prioritisation and selection methods. High quality planning, which supports community-focused outcomes, and better project preparation up-front, enables the consideration of the widest possible range of life-cycle costs, benefits and risks.
- Bringing infrastructure stakeholders – including subnational governments, centres of government, ministries of environment, line ministries, delivery bodies, and investors – onboard earlier will help align perspectives, expectations and reporting. Infrastructure users and communities need to be closely involved to identify local needs and to understand how they benefit from more sustainable infrastructure. This alignment will help attract the sustainable finance needed by countries under fiscal constraints. Alignment across infrastructure actors helps combat uncertainty and supports efforts to better target and manage infrastructure investments.
- New dedicated infrastructure bodies are, in some OECD countries, playing a valuable role by helping coordinate investment, identifying new ways to deliver infrastructure services, proposing pathways for reducing emissions from infrastructure investments and identifying investment choices that meet specific needs of the population.

Sustainability sits at the heart of the G20 Quality Infrastructure Investment (QII) principles.

- Using performance indicators is an important way to share information and give clarity to prospective investors with a desire or obligation to invest in sustainable infrastructure.
- Project data is available to inform sustainable investment decisions, to promote a pipeline of investable projects, and to align public and private actors around a clear and transparent set of objectives, plans and standards to achieve those goals.
- Qualitative evaluation frameworks can help countries measure the alignment of their long-term plans and individual projects with key environmental objectives.
- Certification frameworks, such as the Blue Dot Network (BDN), are also a powerful tool to promote public and private investment. They can be used to respond to market needs and ensure a proper trade-off between credibility and feasibility.
- The QII principles provides an evaluation framework and set of indicators to help countries align their programmes and projects with key societal outcomes and environmental objectives.

A growing body of strategies and tools is helping us to build infrastructure resilience, but decision-making processes do not consistently value including adaptation in the design and maintenance of investments.

- Data is key to climate proofing infrastructure, but much data is currently lacking. Enhancing coordination across levels of government and across sectors will facilitate data gathering. Data must also be supported by capacity-building, including for subnational governments who often plan, develop and manage infrastructure.
- Signaling and promoting resilience in infrastructure planning and investment plans will help strengthen planning for resilience and climate change adaptation and make it more systematic.
- National governments need to work with subnational governments, communities, the private sector and other stakeholders to agree on the roles of different parties in funding adaptation initiatives and financial incentives.
- Integrating physical risks into infrastructure financing requires accurate information about the nature and materiality of risks, as well as ensuring that the right incentives for investment are in place.

Public sector skills are essential to select and deliver infrastructure that fulfil governments' commitments.

- Building public sector skills – be they technical, financial, project preparation or project management – is a challenge for both OECD and emerging economies. But the latter face a significant challenge developing the skills, data and tools to make evidence-based and strategic infrastructure decisions that meet future needs.
- Developed countries should support capacity building for the procurement of PPPs in emerging markets. A clear legislative framework, respect of the rule of law and contract management tools are crucial for investor participation. Delivery depends on the preparation and understanding of contractual terms, the use of new technologies, risk management, conducting due diligence of project companies, and contract management.
- Skill needs in engineering and the use of new technologies may extend beyond the public sector, but it is important to enable knowledge transfer and peer learning with the private sector.
- Countries need support lifting skills in financial closure, project preparation, debt financing and risk bearing instruments. In support of this objective, the G20 recently endorsed the OECD-G20 Policy Toolkit to Mobilise Funding and Financing for Inclusive and Quality Infrastructure Investment in Regions and Cities.

Strategic procurement helps deliver sustainable infrastructure, particularly in energy, transport and construction.

- Increasingly, countries are building strategic procurement into their national policy settings to help mainstream green methodologies across government purchasing, oftentimes drawing on methodologies developed for the construction sector. Some countries are also adopting new, innovative tools that are helping reduce emissions.

- Green construction guidelines and life cycle costing methodologies can help guide countries in the design and construction of low-carbon infrastructure and identify and measure emissions and environmental impacts across an asset's life. Importantly, it is possible to achieve green procurement while also delivering value for money and upholding legal standards.

- Right now, countries are faced with cost inflation, which has been particularly severe in the construction sector for many countries. However, while it is understandable and necessary that countries respond to cost inflation in the short-term, countries are also focused on how they use the public procurement of infrastructure to meet their international climate commitments over the long-term, including bringing down the cost of green solutions by ensuring steady demand.

- Countries need clear reporting standards to develop consistent typologies for data that is required to make informed financial decisions and achieve sustainability outcomes. In particular, there is a need to standardise the way environmental, social and governance (ESG) risks are assessed and measured. Without this, uncertainty remains for investors as they seek investment opportunities with ESG credentials.

Decarbonising government operations can reduce emissions, use the scale of government to incentivise investment in zero-carbon technologies and markets, lower decarbonisation costs, and demonstrate leadership.

- Beyond helping to reduce induced and embodied emissions in infrastructure, strategic public procurement can drive market innovation by giving industry incentives to develop environmentally-friendly technologies and solutions.

- Governments can help implement green government by working across different parts of the policy process, including planning, regulation, budgeting and procurement. The Greening Government Initiative serves as a platform for country representatives to share information and best practices, showcase innovation and success.

All of the lessons from the OECD Infrastructure Forum apply to the reconstruction of Ukraine, but with a need for even greater urgency

- While it is important in the short-term to reinstate critical infrastructure, it is also important that Ukraine's investment programme propels the nation into a green and sustainable future on the basis of shared values and standards – including principles of transparency, accountability, openness and access – in order to drive a rebuild that delivers on the needs of Ukrainians.
- Lessons from countries who have responded to natural disasters can offer valuable experiences in first response actions and long-term needs of a successful rebuild. Countries affected by natural disasters also often build up contingency and recovery plans over time to manage future emergency events. Ukraine should be putting these measures in place now, so that implementation can follow as soon as hostilities end.
- A credible pipeline of well-prepared and prioritised infrastructure projects at the national and sub-national levels will attract the capabilities and finance for a successful rebuild. Although there is a sense of urgency in re-establishing services, which may suggest truncating procurement procedures, maintaining transparency and accountability will be critical to maintaining the buy-in of both the international donors, private sector investors and the local community.
- Sub-national governments need support lifting their capacity to manage and prioritise new, significant allocations of funding from sources, such as the European Union. They will also need support putting the right systems in place to ensure they can deliver and monitor at the local level projects funded through new funding sources.
- The delivery of infrastructure will require international competitive tenders. However, the reconstruction is also an opportunity to re-establish and grow local construction contracting capabilities. This requires policy makers to investigate how local industry can be supported in terms of the availability of professional services, credit lines, and state-of-the-art project management.