



Asia-Pacific Economic Cooperation

Advancing Free Trade for Asia-Pacific Prosperity

Tackling the Infrastructure Investment Challenge

Highlights from the 2018 APEC Economic Policy Report on Structural Reform and Infrastructure

What's Inside

The 2018 APEC Economic Policy Report (AEPR) highlights the importance of infrastructure for economic growth and social inclusion, identifies challenges faced by APEC economies, and discusses the forum's role in promoting structural reform. Drawing on case studies and survey responses from APEC economies, the report surveys structural policy approaches to infrastructure across the region and identifies nine key outcomes for structural policy aimed at achieving quality infrastructure. Policies that maximize the benefits from digital infrastructure are described in a companion report prepared by the APEC Business Advisory Council.

Figure 1: Infrastructure Impediments Experienced by Firms

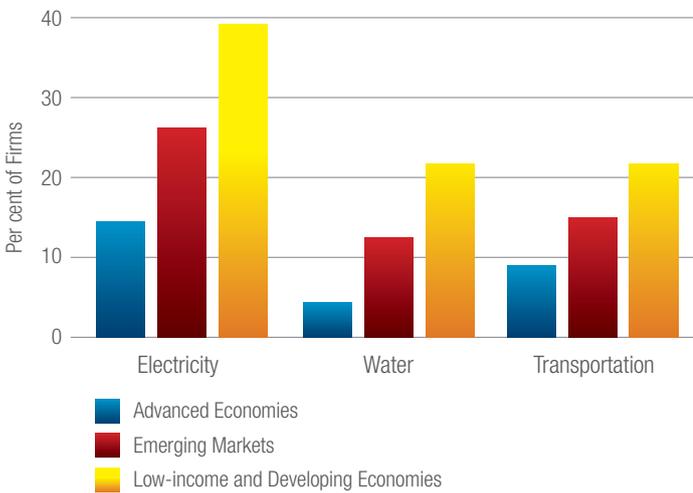
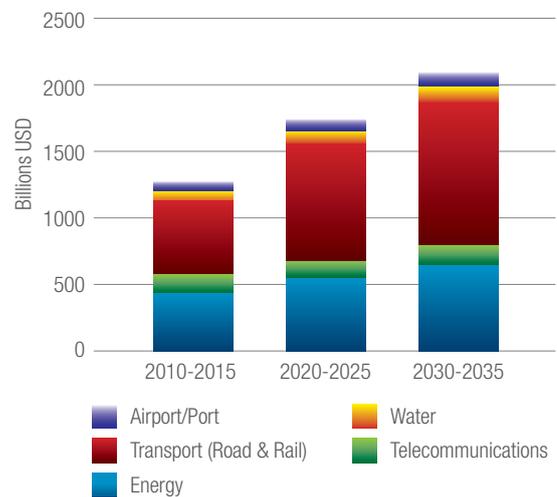


Figure 2: APEC Infrastructure Needs



Infrastructure Deficits

Infrastructure deficits have continued to affect individuals and firms alike. The report highlights a lack of electricity services, followed by water and transport insufficiencies, as the top impediments (Figure 1). These deficits were found to be less of a concern for firms operating in advanced economies compared to emerging markets and low-income developing economies. Nevertheless, advanced economies have begun showing signs of aging infrastructure.

Infrastructure Needs

APEC economies will collectively need to spend \$2 trillion per year from 2020-2025, rising to almost 2.5 trillion per year in the 2030-2035 period. The region's overall regional infrastructure needs are expected to increase by almost 92 per cent between 2010 and 2035 (Figure 2).^{*} The largest investment needs have been estimated to be within the transport (road and rail), energy and telecommunications sectors. Many APEC economies face a significant infrastructure financing gap in the coming years and are prioritizing structural policies to ensure value-for-money and make infrastructure markets function more efficiently. While public investment in infrastructure assets will remain important, given the size of the infrastructure financing gap, the mobilization of private finance for infrastructure will be necessary for many economies.

Key Drivers of Infrastructure Needs



Population growth



Aging populations



Transport and connectivity needs



The rise of digital infrastructure



Ensuring crisis-ready infrastructure



Renewing aging infrastructure

Nine Key Outcomes for Structural Reform and Infrastructure and Examples of Reform in the APEC Region

- 1** Ensuring sound infrastructure governance and project prioritization processes
 - Chile:** Launched the National Public Investment System (NPIS) as a consolidated investment appraisal system
 - United States:** Created a "Build America Bureau" that helps central and local governments and project sponsors coordinate; streamlines credit opportunities and grant processes; and provides technical assistance in implementing best practices in project planning, financing, delivery and monitoring
- 2** Fiscal sustainability - including managing risks holistically and over the long term
 - Japan:** Established clear levels of fiscal support and responsibilities for central/local government for disaster relief
 - Korea:** Uses life-cycle cost analysis to inform project selection
- 3** Reliable operation and management of infrastructure over its life-cycle
 - Australia:** Carried out heavy vehicle road reform to link its road usage to the charges paid by operators
- 4** Ensuring institutional arrangements promote private sector involvement and competition
 - Mexico & Viet Nam:** Reforms in the telecommunications sector, including the creation of a regulatory authority (e.g., the Federal Telecommunications Institute in Mexico); increased competition and investment, thereby reducing prices and improving access
 - Russia:** Reformed public-private partnership (PPP) laws; the National PPP Center supports projects by providing up-to-date information to the government and investors
- 5** Providing an institutional environment to support private sector financing
 - China:** Reformed the transport infrastructure investment and financing system, including improving the PPP model
 - Indonesia:** Reformed PPP governance and established the Priority Infrastructure Provision Acceleration Committee
 - Papua New Guinea:** Reformed state-owned enterprises and applied corporate principles to government investment management
- 6** Promoting institutional settings to promote and adapt to technological change
 - New Zealand:** Rolled out the Ultra-Fast Broadband initiative and is updating competition policy regulation in the telecommunications sector
- 7** Aligning infrastructure decisions with economic and development objectives
 - Canada:** Launched the Connect to Innovate program to provide new or enhanced high-speed internet to a significant number of rural, remote and underserved communities.
- 8** Appropriately mitigating the social and environmental impacts of infrastructure
 - Hong Kong, China:** Made changes to its governance to aid in transition to a smart city
- 9** Incorporation of resilience considerations into decision-making
 - Canada:** Established the Disaster Mitigation and Adaptation Fund to strengthen resilience to natural hazards through investments in large-scale infrastructure
 - New Zealand:** Created the New Zealand Lifelines Council to build institutional capability with regards to resilience
 - Philippines:** Undertakes debt sustainability analysis under natural disasters (e.g., 2013 Fiscal Risk Statement)