

Strong Govts are Key to Boost East Asia's Infrastructure Pipeline

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JAKARTA – Strong governments with robust and transparent infrastructure master plans and financial contributions from private industry are key to pumping East Asia's infrastructure pipeline, government and industry leaders told participants at the second day of the World Economic Forum on East Asia.

Speakers highlighted a lack of project transparency which has made it difficult for private firms to calculate risk and long-term yields. Narongchai Akrasanee, the Minister of Energy in Thailand, said: "What we need is a good project development and systematic scheme of implementation ensuring the yield for investors and that will facilitate public-private infrastructure projects."

Yasuo Tanabe, Vice-President and Executive Officer, Hitachi Ltd, said governments need to take the first step. "In order for PPP to work, somebody, in most cases government, has to take risk." He added that the entire lifecycle of projects needs to be considered at the procurement stage, including operation and maintenance, and he stressed that technical quality is paramount.

Some participants also questioned the value of democracy in infrastructure development, noting that South Korea's GDP grew from below that of Somalia in 1955 to the eighth largest economy in the world today, partially because of infrastructure investment under President Park Chung-hee. The economies of Singapore and China have also rapidly expanded under strong governments. Wishnu Wardhana, President Director and Group Chief Executive Officer, PT Indika Energy Tbk, said: "In a democracy like ours, as well as in many Asian countries, infrastructure development is always challenging. You involve a lot of stakeholders."

"In Europe, some of the time we say we should never do a project that goes beyond one term or two terms of government because you know you'll have issues," said Samir Brikho, Chief Executive Officer, Amec Foster Wheeler Plc. "Sometimes 100% democracy in the western, Greek sense might not be the best solution," he added. John Kurtz, Head, Client Service, Asia and Global Head, Diversity and Inclusion, A.T. Kearney, countered that engagement is key. "There needs to be a new model in the NGO community of finding examples of successful ways of projects to operate and successful ways to engage in the PPP process."

Governments also need to develop more sustainable infrastructure projects that consider their human and environmental impacts rather than a grow-at-all-cost mentality, according to Eddy Setiawan, President, South-East Asia, The Dow Chemical Company. "We talk about power generation, but we don't talk about how to conserve the power or the efficiency of the power. Nobody is talking about building more energy-efficient buildings or how we can bring the latest technology to clean coal," he said.

Brikho pointed to China as an example of an economy that is now looking more seriously at sustainability. "Party leaders don't speak about growth anymore – that agenda has changed," he said. "China needs to be rewarded for all the things it has been doing in implementing

renewable energy.” Setiawan added that some of these technologies can be used in Indonesia. “We, as industry experts, try and bring those technology options to the government.”

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