



## New Zealand Commission Board Chair Assesses the Future of Infrastructure Development in Asia

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Developing Asia will require around \$30 trillion in infrastructure investment through 2030, according to the Asian Development Bank. But how has COVID-19 affected the infrastructure landscape and what role can the sector play in pandemic recovery across the region?

In this podcast, New Zealand Infrastructure Commission Board Chair Alan Bollard describes post-pandemic infrastructure development conditions and impacts in Asia and the Pacific. He also addresses onward project financing, climate change, and sustainability considerations.

The discussion draws on an [ADBI Featured Speaker Webinar with Dr Bollard](#), who served as Reserve Bank of New Zealand Governor during the Global Financial Crisis and its aftermath as well as Executive Director of the Asia-Pacific Economic Cooperation Secretariat in Singapore from 2013 to 2018.

[Interviewer]

Hi, Dr. Bollard. Thanks for joining Asia's Developing Future. Can you start by describing infrastructure demand and development challenges in Asia and the Pacific from a strategic, big picture standpoint?

[Bollard]

*In developed economies like Japan, Singapore, and [the Republic of Korea], they've taken advantage of the fact that they can have central control over investment decisions. They can move very fast, they can access quite cheap construction labor, and they've got a good flow of*

savings to fund these investments. When we look at some of the developing Asian economies, ones where ADBI focuses their attention, we do see some other big challenges, particularly urbanization, and the very congested city problems. Whether it's roads, bridges, tunnels, pipes, cables, drains, ports, airports, it goes on and on, there's a very wide range of things that come under the city of infrastructure. And that's where we're seeing a lot of funding already from the Asian Development Bank and from the World Bank.

The Australia, New Zealand, United States, Canada scene is a little bit different. It's an interaction of different responsible authorities. In the United States, it involves federal government, state government, municipal government, and some other responsible authorities as well. In countries like New Zealand, and Australia, there's a default towards investment, that doesn't hurt anybody. And economists would call that Pareto Optimality rather than a broader, optimal sort of investment decision. And then, of course, when you're actually building infrastructure, you're faced by local authorities that will put in place a lot of regulation around safety issues, noise issues, traffic issues, hours of work, different compliance requirements. That can make that very difficult and means it takes a long time. In these Western countries, quite a lot of this infrastructure is about connecting up suburbs, because that's where people are living much more.

[Interviewer]

Is infrastructure investment a good stimulus to help economies grow out of their COVID-19 contractions?

[Bollard]

I don't think that infrastructure investment is a very good counter cyclical tool, because it is not a cyclical feature. So, if it takes a year or two years, or sometimes a lot longer, to actually get bulldozers on the ground after a political or a parliamentary decision has been made on spending. Then really, that's got nothing to do with the fiscal conditions that are in place at the time. We've been through a very unusual time with COVID. We've all, in one way or another, suffered huge contractions in the economy during part of the year. And that seems to, almost from a political and popular point of view, have led to a lot of people saying, surely we can spend

*to do something to get out of this. And, sure we can. But any decisions around spending on infrastructure should be long-term decisions, not short-term decisions.*

[Interviewer]

Can you elaborate on that?

[Bollard]

*Infrastructure investment increasingly is capital intensive, rather than labor intensive, and it can be very slow to put in place. And that means that it isn't a particularly fast-moving source of stimulation, and quite often today, it needs special skills and those might need to be imported. And right at the minute, we're finding that with COVID, there are tight supply chain bottlenecks and quite a lot of materials required for infrastructure are in short supply or will take a long time for delivery.*

[Interviewer]

How is the New Zealand Infrastructure Commission approaching COVID-19-related bottlenecks and longer-term issues within the sector?

[Bollard]

*The New Zealand Infrastructure Commission is there to try and draw together this very complex set of projects and plans at micro levels into a broader macro story. And we've got a pipeline of projects there in the future. We're trying to get away from the cyclical boom and bust nature of investment in infrastructure that's been there in the past. But our real focus isn't short-term. And it's not COVID. It's a 30-year focus. And over that 30-year period, we're very interested because we're driven by climate change, by demographics, and by technology change.*

*So, I don't think it's a classic counter cyclical policy that we do know, at the moment, with COVID.*

[Interviewer]

What do you see as top long-term infrastructure investment priorities, looking toward the post-COVID-19 future?

[Bollard]

*Climate change and the possibility for green development and infrastructure are terribly important. We're going to see much more use of electric vehicles, much more use of electric generation, as opposed to all fossil fuels, and more interest in renewables, like wind generation, and others, right through the system.*

*In a way we haven't previously, we've got more data and information, as people have changed their habits. And we've seen less commuting, changes in use of public transport/ All those things are very important for infrastructure. And are people going to work more from home? If so, they need more infrastructure in the suburbs, and maybe less in the central city, that these are long term features.*

[Interviewer]

What kinds of infrastructure do you think will be important for Asia and the Pacific to mitigate climate change and how does this align with existing project focus?

[Bollard]

*Most of the challenges are in East Asia, where the rivers hit the seas, because that's where the populations are. That's where the agricultural economy is. It's where the issues around building dams, river flows and rain patterns are important and where, say, line intrusion from the ocean is important. And so I guess, Japan, in some respects, has had a view that you can build hard infrastructure to protect yourself from some of these things, hence, the sea walls and so on around many of the islands.*

*But more and more, as we learn and see some of the examples in there, we do have to think about green infrastructure, which for us, in New Zealand, we are thinking about quite a lot. And that means containing and managing water flows, which might be out of rivers, but maybe our rainfall in ways where we can get natural movements of the water and natural pooling and then gradual release. We're building wetlands, which will gradually absorb rainfall, which will absorb rainfall very quickly when it comes and then gradually release it without flooding.*

*So looking at those flooding, green infrastructures pushes, you're in quite a different position from simply putting up concrete, sea walls and so on, as we might have in the past, I think we'll see more of that around the place. And there's going to have to be a lot of investment in plant selection and so on to withstand some of those issues. But new thinking on infrastructure is needed as much as old concrete-based infrastructure.*

[Interviewer]

To wrap up, from an infrastructure perspective, how can countries in the region work together to build back better after COVID-19 and promote sustainable growth?

[Bollard]

*Of course, we're interested in international or global cooperation. But because infrastructure is typically not traded between countries, although it's important for what's trading between countries, then there are limits and to how much you get flows between countries in this, we would always look at what is best practice around the region, and how we get harmonized systems. We're looking for common standards, common digital platforms, common ways of doing these things. We've seen that with the recent G7 meetings. They've talked about building back a better world. And in that sense, they're also trying to get good standards, but also putting quite a bit of focus on the role of international financial institutions, regional development agencies, and private capital and setting good lending standards.*

*And I think that governments have a role around setting standards. And those standards would be around digital platforms. But they also do involve some things in which there are quite different views around the region, in terms of data privacy, who owns data, cyber security, and some other geostrategic important things, as well as simply the sort of stuff that I'm interested in, which is economics. And so the more we can get those standards, the better. The more those standards work for a wide range of countries and economies, the better. We always felt in APEC that we wanted to see harmonization and interconnectivity.*

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