


























Global Infrastructure Needs and Financing into the Future

Barrie Stevens

OECD Secretary-General's Advisory Unit and
International Futures Programme

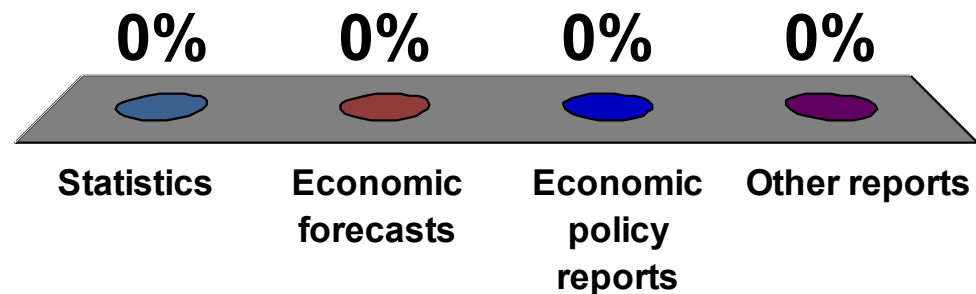
RUSI, London, October 2010

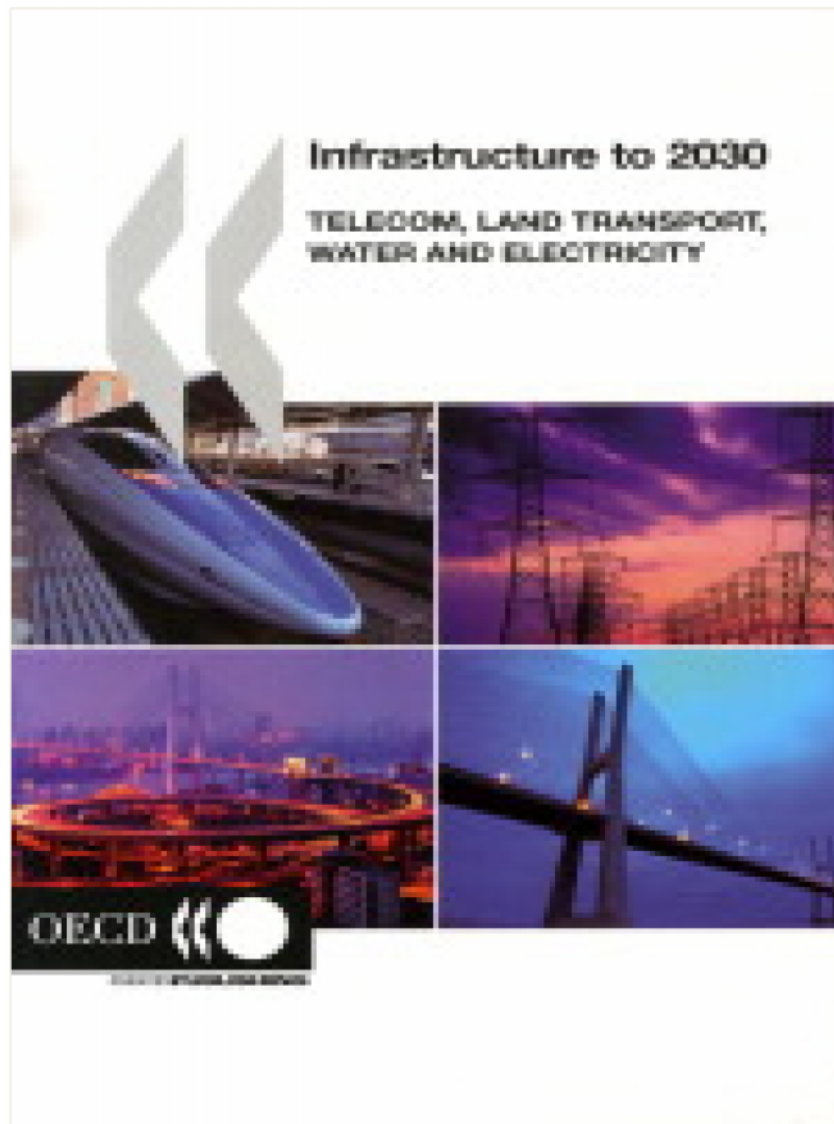
 Australia	 Austria
 Belgium	 Canada
 Chile	 Czech Republic
 Denmark	 Finland
 France	 Germany
 Greece	 Hungary
 Iceland	 Ireland
 Israel	 Italy
 Japan	 Korea
 Luxembourg	 Mexico
 Netherlands	 New Zealand
 Norway	 Poland
 Portugal	 Slovak Republic
 Slovenia	 Spain
 Sweden	 Switzerland
 Turkey	 United Kingdom
 United States	

OECD Member Countries

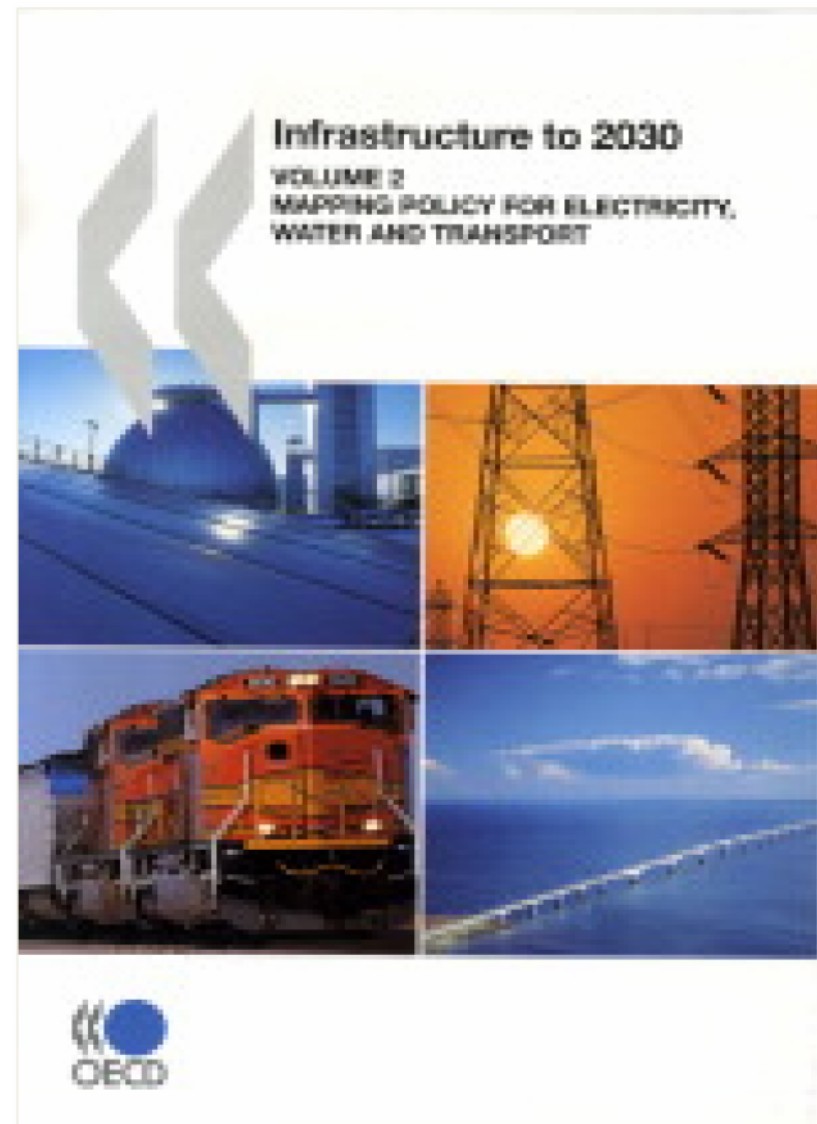
What OECD products do you use primarily for your work?

1. Statistics
2. Economic forecasts
3. Economic policy reports
4. Reports concerning other policy areas such as environment, finance, employment...





Infrastructure 2006



Infrastructure 2007

The role of infrastructures

“Infrastructuresare a means for ensuring the delivery of goods and services that promote prosperity and growth and contribute to quality of life...the health and safety of citizens, and the quality of their environments. ...They ...play a vital role in economic and social development, not least because the networked economy is becoming increasingly important, and society ever more dependent on the smooth running of a growing range of infrastructure services. Moreover, the various infrastructure systems themselves are interacting ever more closely with one another, engendering interdependencies and complementarities, as well as heightened vulnerabilities, and thereby posing new policy challenges

OECD (2007) Infrastructure to 2030

Key questions of the 2007 project

- What are the global (OECD and non-OECD) infrastructure needs to 2015/2030?
- Can we put a price tag on them?
- In the OECD area, who will pay and how?

Estimated total cumulative world infrastructure requirements (additions and renewal) to 2030

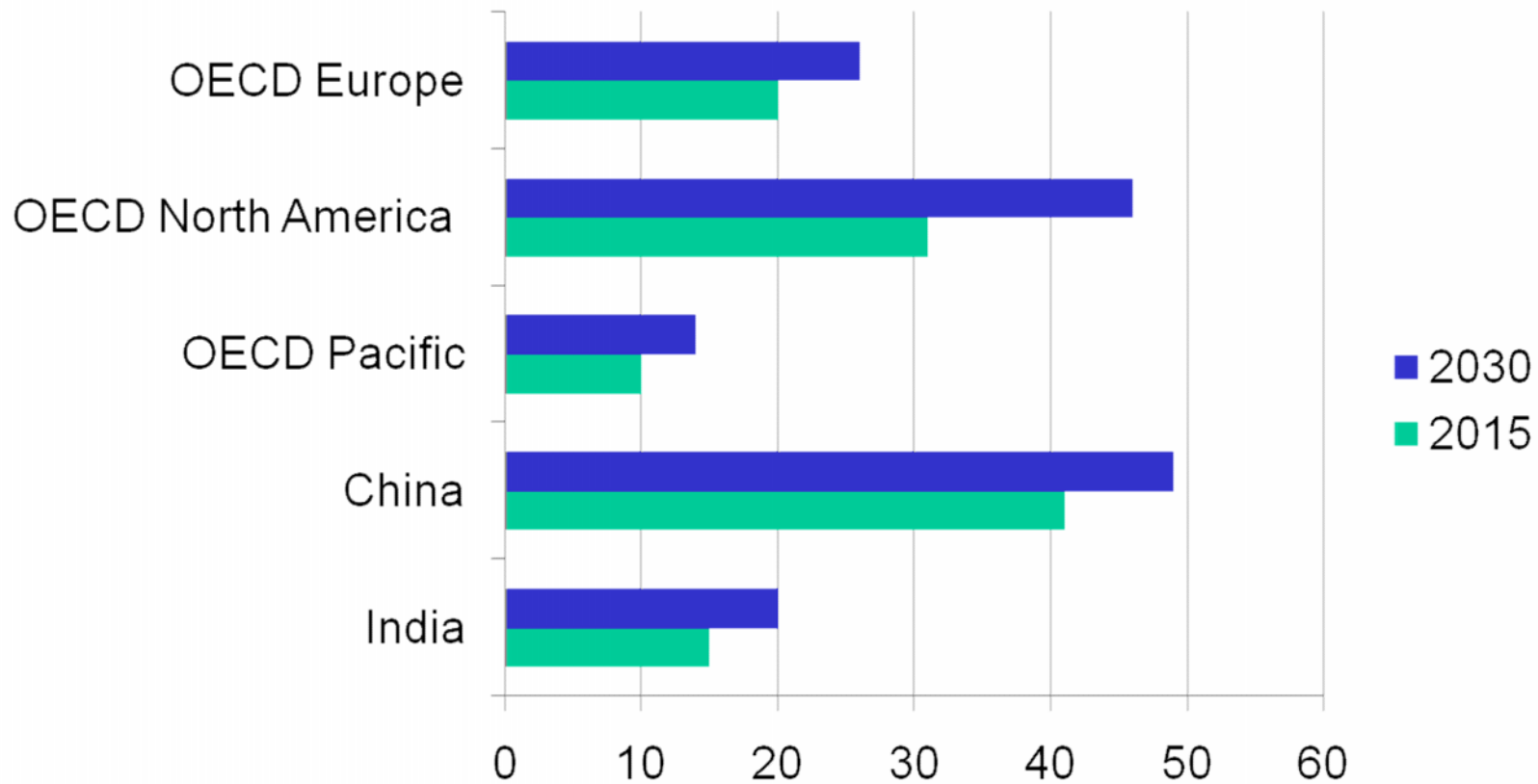
Rail, road, telecoms, electricity transmission & distribution, water	53 trillion US\$
+ electricity generation	65 trillion US\$
+ other energy-related investments (e.g. oil, gas, coal)	71 trillion US\$
+ airports and ports	?

Estimated average annual world infrastructure requirements (additions and renewal) to 2030 for rail, road, telecoms, electricity transmission and distribution, water

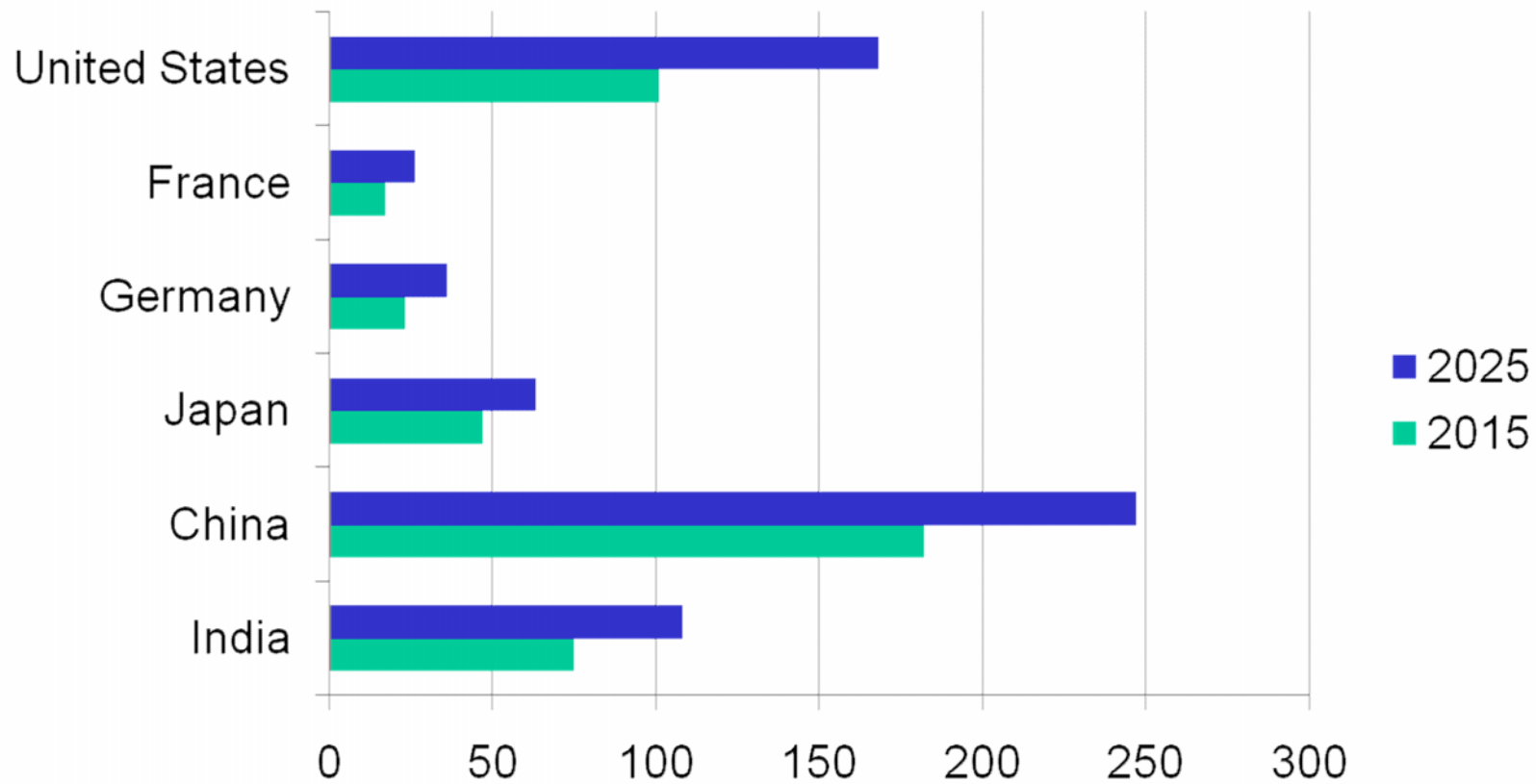
= approx 2 trillion USD

But important distinction between
OECD and non-OECD

Projected average annual infrastructure requirements in electricity transmission and distribution 2015/2030 (in billion USD)



Projected annual average investment requirements in water and wastewater services to 2015/2025 (in billion USD)



Public sector finances increasingly less able to meet future infrastructure needs from traditional sources

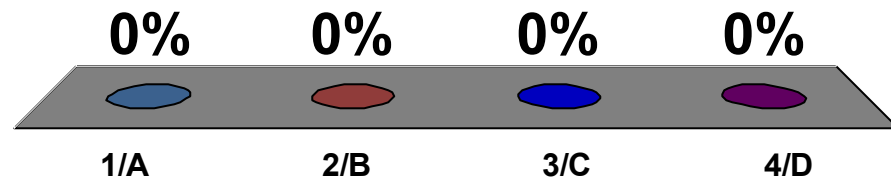
- Social expenditures have increased their share (from 16% of GDP in 1980 to 21% today)
- Spending on public health and long-term care likely to increase from 6.7% of GDP today to between 10.1% and 12.8% by 2050
- Pensions set to rise by 3-4 percentage points
- Lower spending on education for the young and child benefits
- But higher spending expected on secondary, tertiary and lifelong education
- Tax base may come under pressure through ageing workforce

Two track approach to bridging the infrastructure gap

- Find additional funding and develop innovative approaches to finance (public and private)
- Use infrastructure more efficiently and more intelligently through improved strategic planning, effective governance, and improved integration of existing and new technologies.

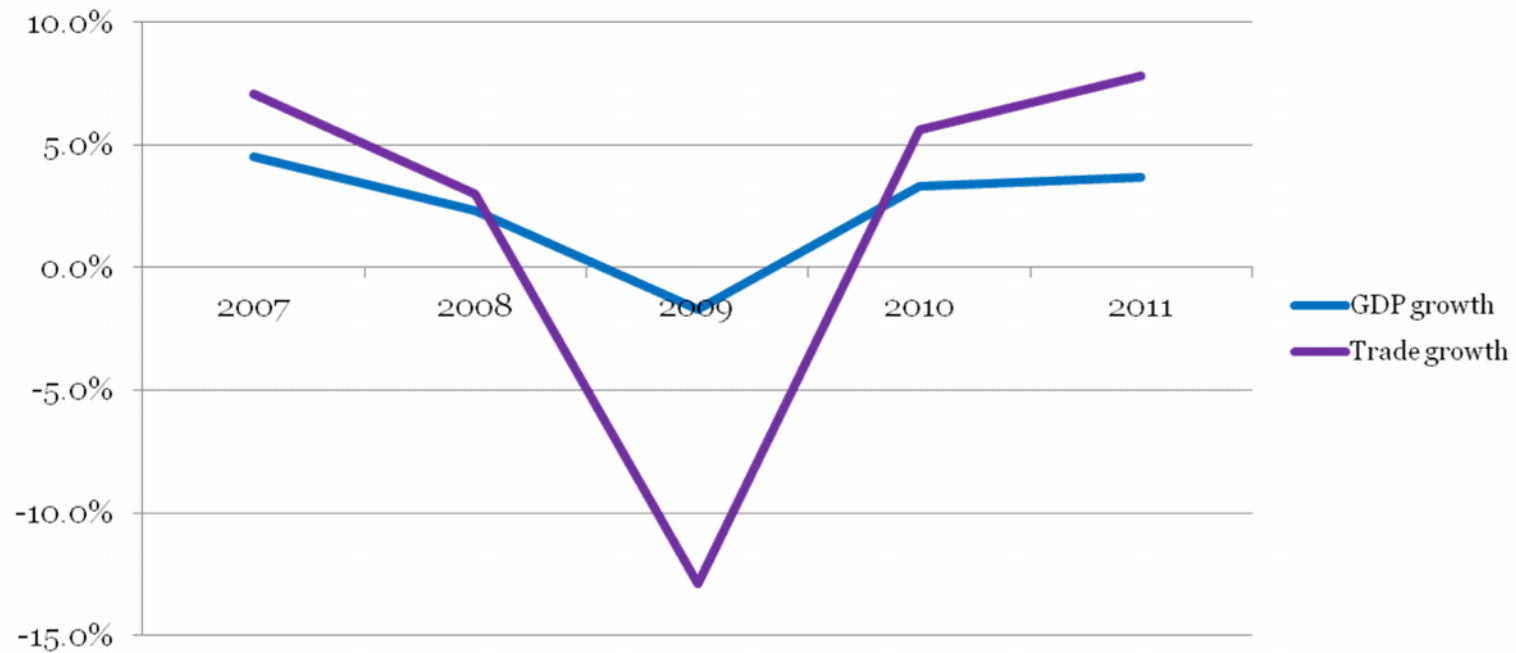
Looking forward to 2015/20, how do you see your government's role in infrastructure investment evolving ?

1. It will play a growing investment role in infrastructure
2. It will play a diminishing investment role in infrastructure
3. It's role in infrastructure investment will be roughly the same as today
4. Too difficult to predict



Growth of World GDP and International Trade - 2007-2010

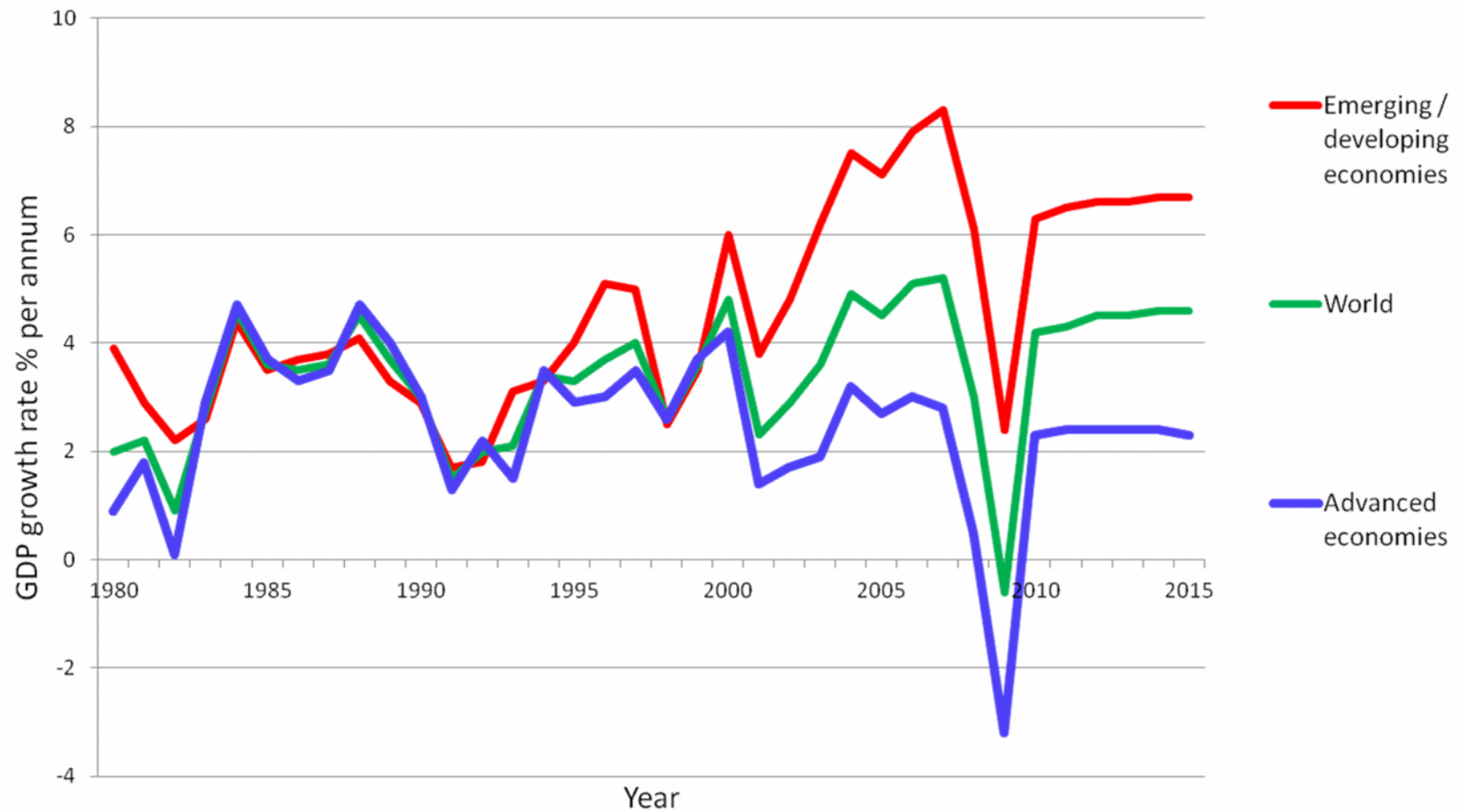
Trade growth - historically 2 or more times GDP growth



Source: OECD Economic Outlook Nov. 2009

World Economy recovering - multispeed to 2015

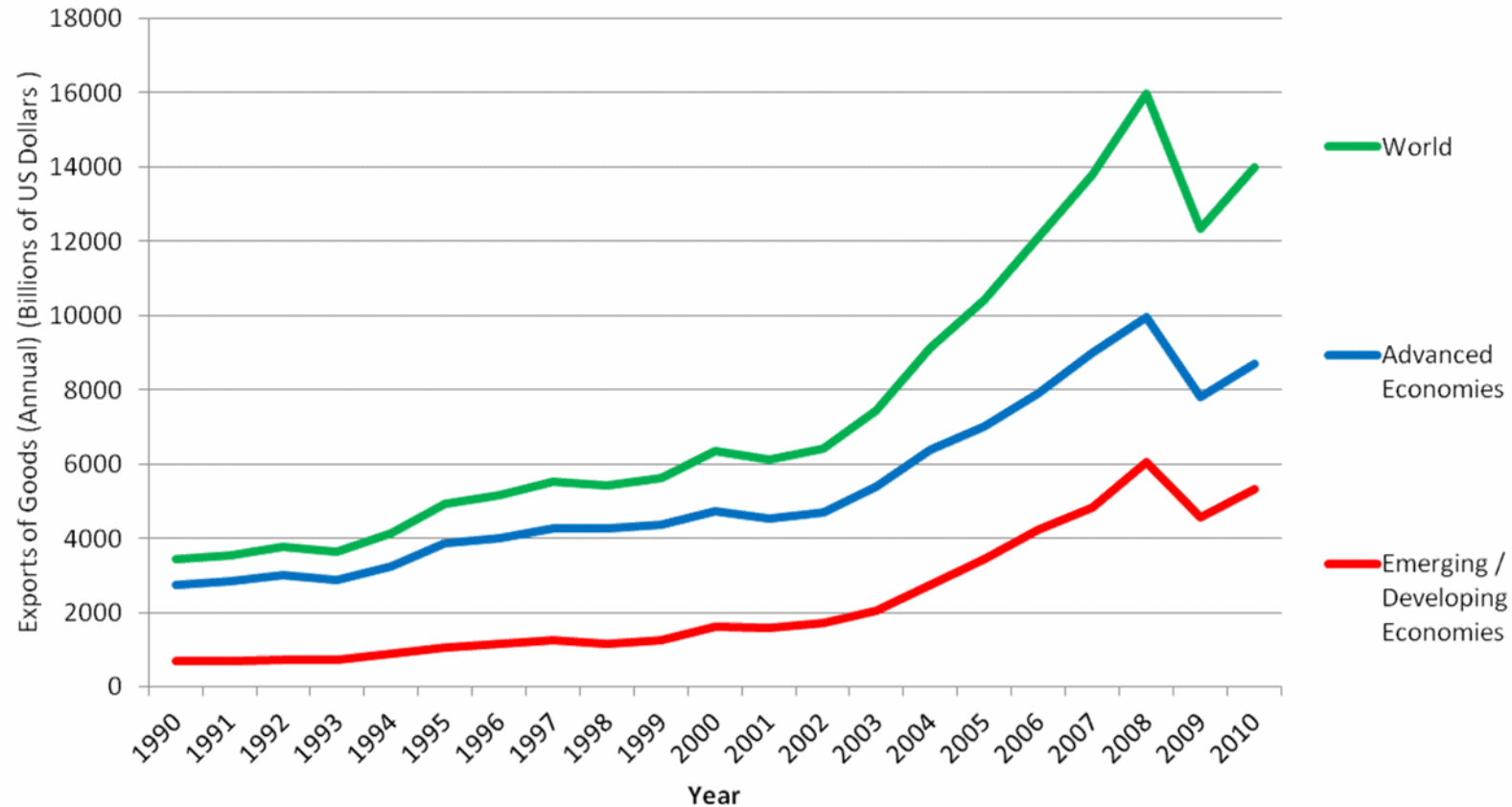
World GDP - % change p.a. to 2010 - and forecasts to 2015



Source: International Monetary Fund (IMF), September 2010

World and regional trade – Exports of goods

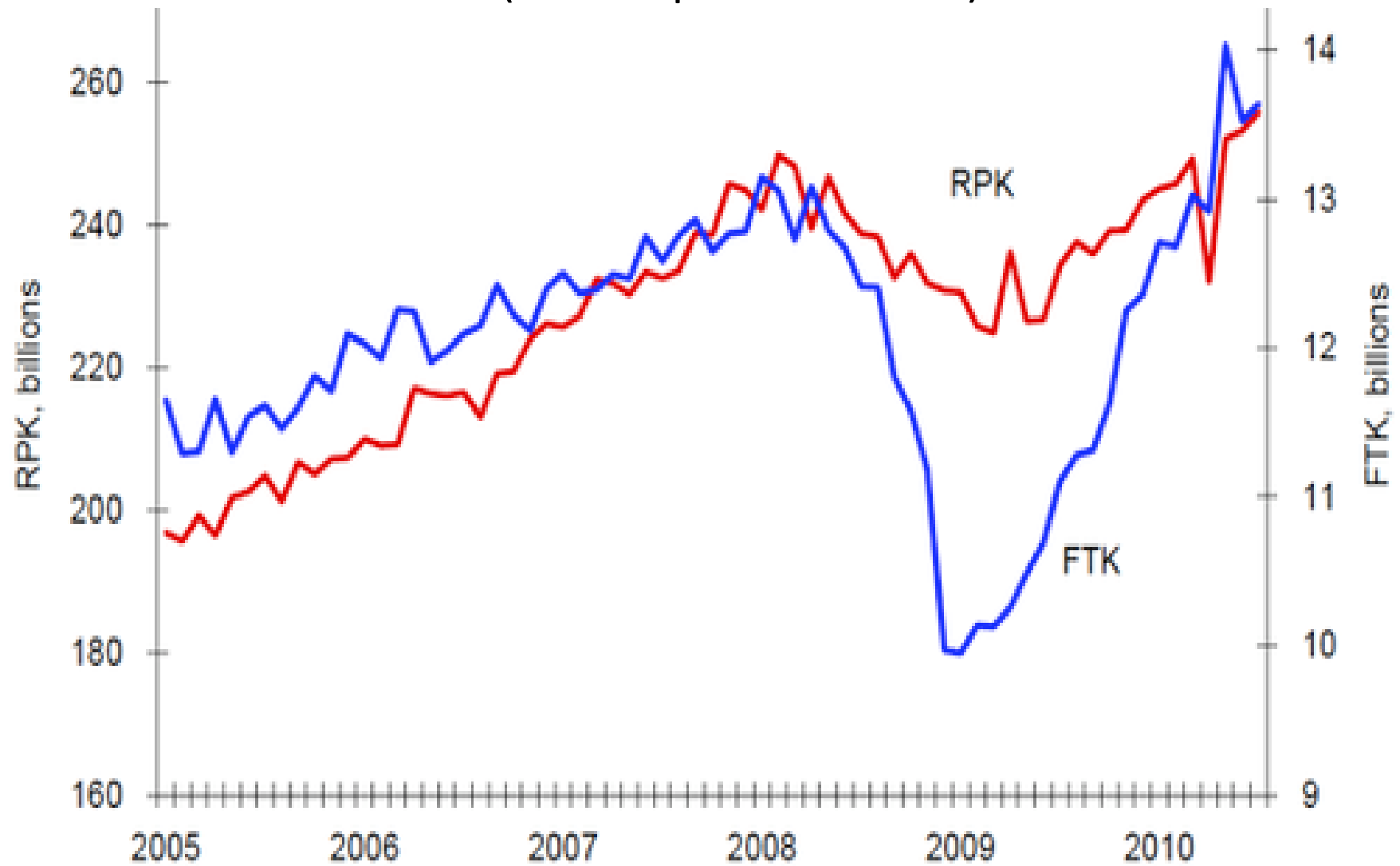
Annual Exports \$ US Billions (1990 – 2009)



Sources: Joint OECD – IMF Statistics Exports of Goods (Annually) , September 2010. Forecast for 2010, World Trade Organization , September 2010

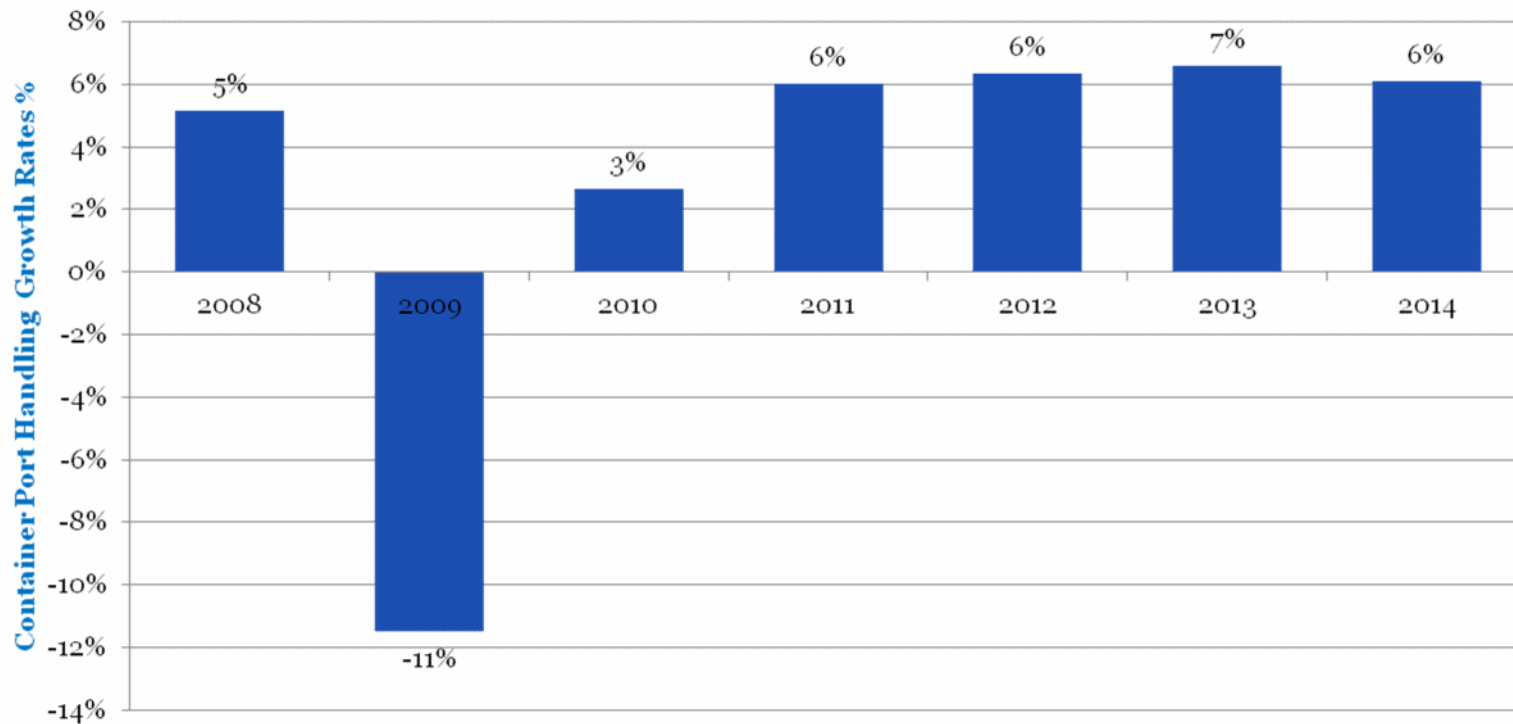
Forecasts anticipate substantial trade rebound and steady growth from 2010 onwards

International air freight and passenger volumes
(seasonally adjusted): 2005 to 2010
(IATA September 2010)



Maritime Outlook – Forecast growth in Container Port Handling to 2014

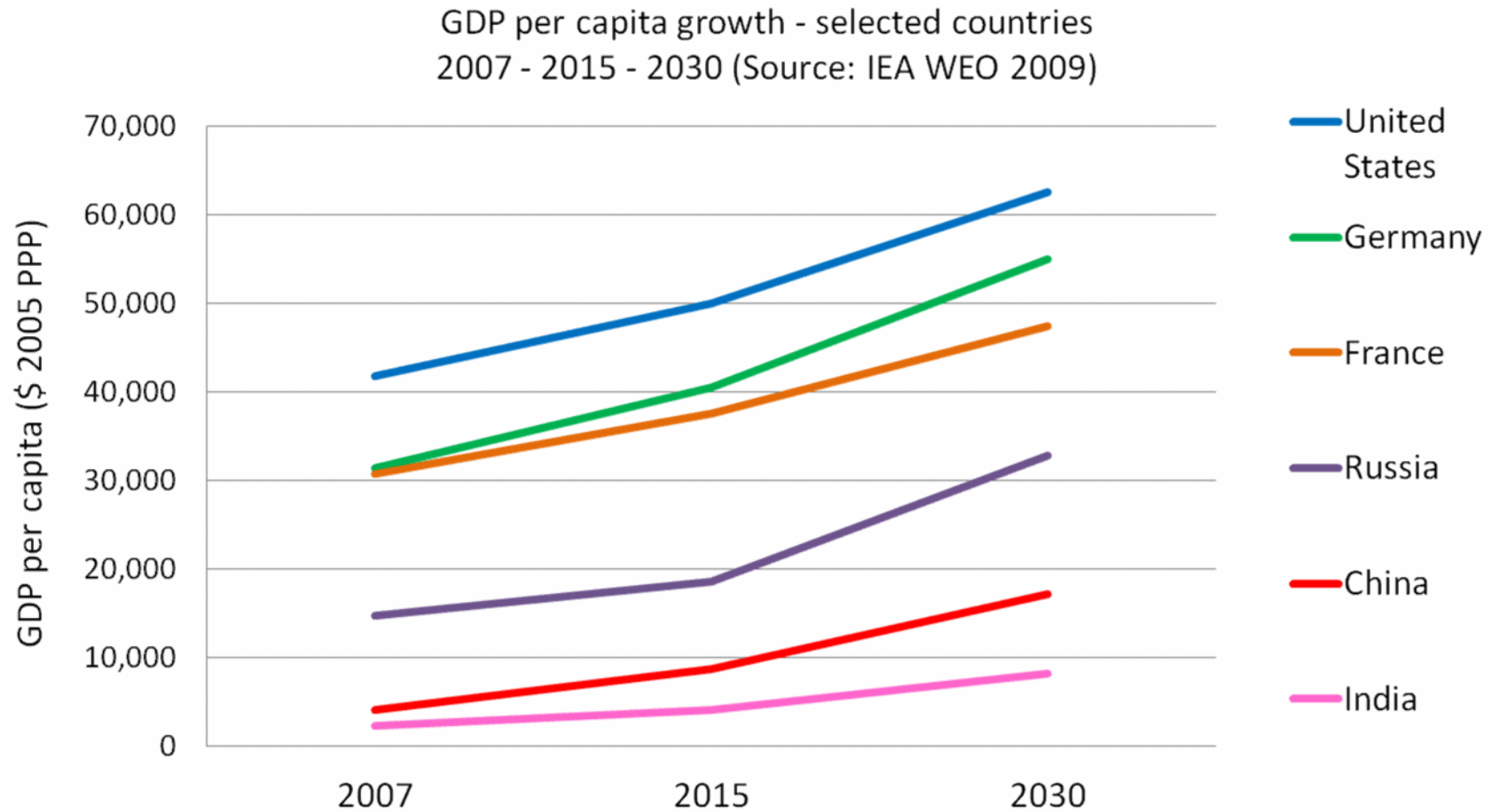
World Container Port Handling - annual growth rates (%)



Source: Drewry, Container Market 2009-10, Oct 2009

Recovery from 2009 fall – but container growth rates below recent trend (>10% pa)

Per capita incomes 2015/2030 – economic drivers of freight and passenger flows



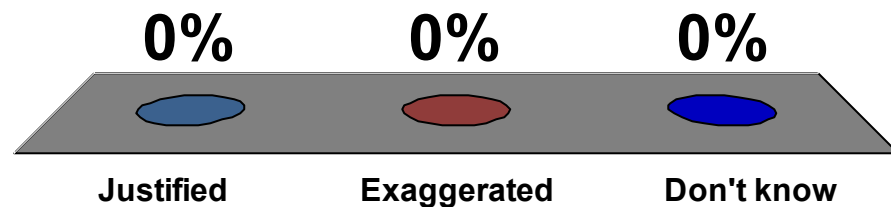
Ongoing increases in GDP per capita in OECD countries. Growth rates highest in China

Challenges ahead for Governments

- Outlook for infrastructure funding and financing has been adversely affected by the financial crisis
- Many governments face large deficits and fiscal consolidation tasks over next 5 years (or more)
- Budgets already under pressure now – deficits, debt – increasing in future due to ageing populations, health and other sectors' requirements too.
- Post-stimulus package funding likely to be lower/withdrawn
- Private sector financing also under pressure, given increased risk aversion of potential infrastructure investors, banking system changes, and restricted availability of longer-term finance.
- Concerns that infrastructure bottlenecks and investment shortfalls could impede recovery over medium- to long-term

With respect to your own country, how do you assess concerns that the current “infrastructure gap” could hamper trade and impede recovery?

1. Concerns are justified
2. Concerns are exaggerated
3. Don't know



Thank you.

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