

Emerging Infrastructure Developments for 2020 in Asia Pacific

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Over the past year, several factors have influenced the need for changes to infrastructure planning and delivery: rising sociopolitical changes; fast-evolving tech innovations that create both opportunity and risk; new risks associated with developed and emerging markets; and new capital flow and investment models. A number of these factors are not new, and many trends are ones we have been talking about for years. What has changed, however, is that many are becoming intertwined and interdependent, with increasing pressure for action.

In KPMG's global report on [Emerging Trends in Infrastructure 2020](#), we look at the implications of major changes affecting governments, investors, developers and operators and highlight what these stakeholders must do to stay relevant, respond and reform.

From coordinated climate strategies to protest marches around the globe, citizens are demanding more accountability and customer-centricity. Most notably, the ubiquity of social media and smartphones is helping them synchronize their voices.

Facing global developments such as climate change, ageing assets, technological disruption and increased urbanization, governments must work out how to balance current and future needs. What is clear, however, is the need for risk-informed investment-planning decisions that prioritize capital deployments to address and mitigate these disruptive risks, and ultimately ensure safety and resilience across the asset life cycle.

In a piece last year, I mentioned that **Asia Pacific** stood "at the threshold of a new golden era of economic and social development". Out of the ten trends identified in KPMG's global report for 2020, these are the six critical factors for this region.

1. Winds to and from the East

With the West increasingly looking inward, capital has started moving towards projects with greater risk-adjusted margins in the East. Led by China, we continue to see the slow but steady effects of innovation and internationalization ripple across the region. While the fruits of this trend will take some time to materialize, and there is much more to be done, we foresee that the winds of globalization will continue to blow from the East. Investment continues to be constrained by low levels of transparency, sophistication and project planning in many markets. However, these winds are more likely to speed up than shift direction as greater sophistication, innovation, transparency and competition are achieved.

2. Emerging markets embrace private finance for funding challenges

Backed by the realization of a lack of access to public resources that would fund infrastructure, emerging markets across ASPAC are becoming increasingly serious about creating an investment climate conducive to the participation of private finance. While not all governments are moving at the same speed — or indeed in the same direction — we still

see an overwhelming shift towards the institutionalization of private investment within emerging markets. In the coming years, we predict this trend will gain pace as governments look for better ways to manage their debt sustainability while also improving competition and transparency.

3. InfraTech tilts the balance and disrupts the market

New technology continues to redefine the future of InfraTech, and in this regard the center of gravity is shifting towards the emerging markets. China, already at the forefront of 5G as well as the solar-energy market, has been making significant leaps in AI and robotics. With hegemony over each new technology comes new skills, capabilities and opportunities. Similar stories, albeit on varying scales, can be found across ASPAC — from Malaysia’s tech hubs to Indonesia’s smart cities. Free from legacy infrastructure, we expect the InfraTech agenda will increasingly be driven by ASPAC’s emerging markets.

4. The ‘data lightbulb’ illuminates

We anticipate a bigger role for organized data and analytics (D&A) approaches to replace the bottom-up, disjointed strategies that have governed infrastructure developments of years past. For example, many cities across ASPAC continue to invest heavily in their digital infrastructure including data sharing platforms as the availability of more data, the need for more customer-centric planning, the shifting expectations and needs of consumers, and the rebalancing of global competition all make it apparent that a shift towards greater D&A capabilities will continue to be a major — albeit contentious — evolving trend.

5. The corporate world (finally) embraces sustainability

As concerns about climate change and sustainability become increasingly part of public discourse, pressure on governments and corporations is growing. We are seeing financial markets becoming more passionate about sustainability and, in particular, focusing on corporates with clearly defined decarbonization strategies. For new infrastructure projects, environmental, social and governance (ESG) compliance has become a “go/no go” issue for investors and financiers. Major development banks such as the Asian Infrastructure Investment Bank (AIIB) are also seeking to drive the agenda. The AIIB’s Environmental and Social Framework is designed to support the achievement of sustainable outcomes, and it is also developing new financing products and sources, often in partnership with other organizations. We expect to see investors, financiers and other corporations continuing to push governments toward action.

6. Small becomes beautiful

Over the past few years, we have seen more megaprojects, of greater scale and complexity than ever before, being proposed and progressed. High-profile examples include the new bridge linking Hong Kong to Macau and Zhuhai, Thailand’s Eastern Economic Corridor, Australia’s Inland Rail project and Indonesia’s new capital city, to be located in East Kalimantan, Borneo, which is estimated to cost US\$33 billion. However, the approach to delivering megaprojects is being reconsidered as the associated delays, cost overruns and

disruptions are frustrating citizens and governments. They want projects that are nimble and can pivot according to changes in demand or technology, and they want solutions that are faster, smaller and more local. We expect megaproject plans will be unpacked, using an entirely new philosophical approach to infrastructure delivery that more closely mirrors the mantra of tech firms: move fast, make customers happy and continuously update technology to deliver ongoing value.

In this rapidly evolving global environment, governments, planners, investors, developers and operators will need to listen carefully, respond quickly and proactively reform. New listening skills will be critical and new ideas will be required.

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