

## 11. GOVERNANCE OF INFRASTRUCTURE

### Assessment of value for money and affordability

The OECD Recommendation on the Governance of Infrastructure highlights several good practices, including ensuring decision making is informed by the need for value for money, ensuring the affordability of new infrastructures, disclosing total costs over the entire asset life cycle, and providing a transparent, independent and impartial expert assessment to test project costing, fiscal sustainability, time planning, risk management and governance.

In terms of value for money, each government judges what the optimal combination of quantity, quality, features and price should be over an infrastructure project's lifetime (OECD, 2019). OECD countries have made significant progress in assessing value for money in recent years. In 2020, 21 of 30 OECD countries surveyed (70%) reported conducting assessments to ensure value for money from infrastructure projects delivered via public-private partnerships (PPPs) and 18 of 30 (or 60%) for other types of infrastructure projects, compared to only 14 out of 26 of OECD countries (54%) for PPPs and for others each in 2018 (Table 11.3).

In 2020, 23 out of 30 OECD countries (77%) reported that their ministries of finance played a gatekeeping role – meaning that if approval from the ministry is not obtained, the project cannot proceed – compared to 17 out of 26 (65%) in 2018 (Table 11.3). The criteria used by finance ministries for the approval of infrastructure projects generally focus on projects' affordability for both the national budget and users, as well as their value for money.

When ensuring value for money and quality assurance of large infrastructure projects, it is key for the decision-making process to be impartial and avoid political capture. Independent experts can monitor the selection and prioritisation of projects, ensuring a clear and transparent decision-making process that is done in line with a straightforward set of criteria. Currently, only 20 out of 30 (67%) of OECD countries reported conducting regular independent and impartial expert assessments (Table 11.3).

Around 90% of OECD countries estimate construction (28 out of 30) and operation costs (27 out of 30) when assessing the affordability of new infrastructure projects. However, the assessment of maintenance (25 countries, or 83%), adaptation (17, or 57%) and decommissioning (13, or 43%) costs are less frequently included (Figure 11.4). Especially in a COVID-19 context, more efforts are needed to adopt mechanisms that effectively consider the affordability of new projects at all stages of the asset's life cycle.

#### Methodology and definitions

Data are drawn from the 2020 OECD Survey of Infrastructure Governance and the 2018 OECD Survey of Capital Budgeting and Infrastructure Governance.

The two surveys are not identical but used similar questions for the time trends. The 2020 survey was conducted in January 2021, with responses from 30 OECD countries and Costa Rica. The 2018 survey was conducted in early 2018, with responses from 26 OECD countries. Respondents were predominantly senior officials in the central/federal ministries of infrastructure, public works and finance, as well as in infrastructure agencies and other line ministries.

Value for money is what a government judges to be an optimal combination of quantity, quality, features and price (i.e. cost), calculated over the whole of a project's lifetime.

Affordability should take into account the entire life cycle costs of infrastructure projects. From a government's perspective affordability means that projects can be accommodated within the government's current and future budget constraints; from the end-users' perspective it refers to their ability and willingness to pay the tariffs or other user charges associated with the access and use of the infrastructure asset.

#### Further reading

OECD (2020), Recommendation of the Council on the Governance of Infrastructure, OECD, <https://legalinstruments.oecd.org/en/instruments/OECD-LEGAL-0460>.

OECD (2019), *Budgeting and Public Expenditures in OECD Countries 2019*, OECD Publishing, Paris, <https://dx.doi.org/10.1787/9789264307957-en>.

OECD (2017), *Getting Infrastructure Right: A Framework for Better Governance*, OECD Publishing, Paris, <https://doi.org/10.1787/9789264272453-en>.

#### Figure notes

Data for 2020 for Australia, Denmark, France, Israel, the Netherlands, Poland and Sweden are not available. 2020 data for Belgium are based on responses from Flanders only. Austria and Switzerland have no PPP infrastructure projects.

Table 11.3. Data for 2018 for Belgium, Canada, Colombia, Costa Rica, Finland, Iceland, Latvia, Lithuania, Republic of Korea and the United States are not available. Data for 2018 on the gatekeeping role of the ministry of finance refer only to other infrastructure projects. In Austria and the United States, the ministry of finance only has a gatekeeping role in the approval of infrastructure projects in certain sectors. In Lithuania, the ministry of finance has also a gatekeeping role in the approval of PPPs. In Lithuania, only PPPs are subject to an independent and impartial expert assessment.

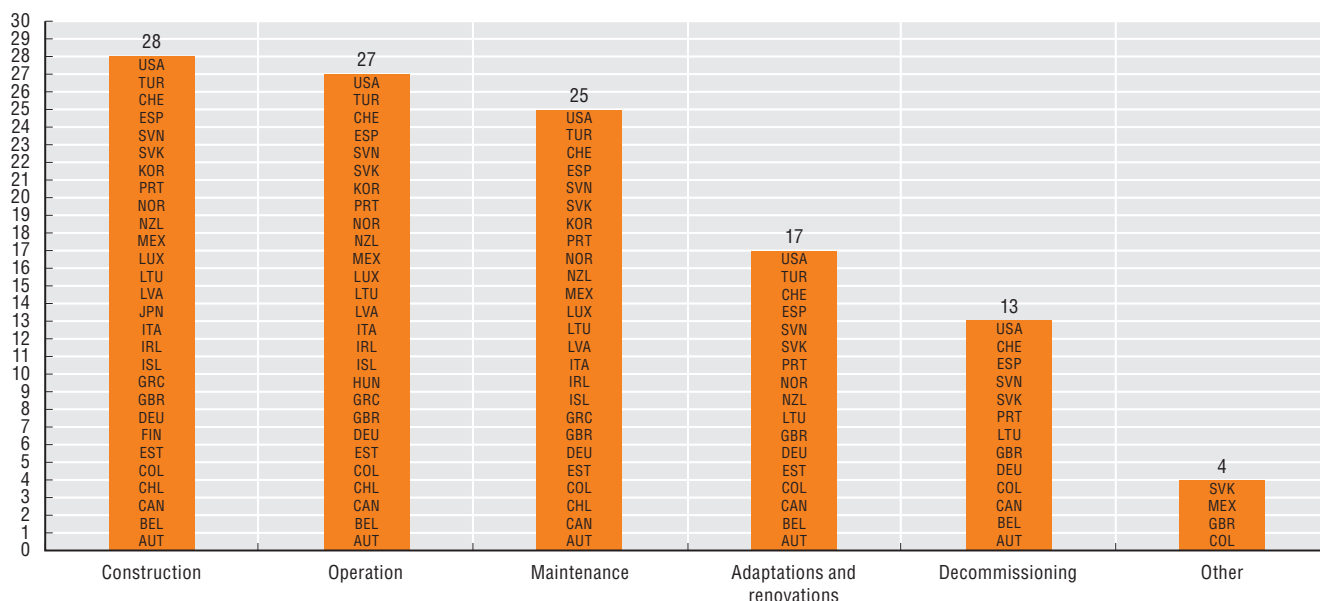
### 11.3. Assessment of value for money and affordability, 2018 and 2020

Country	Gatekeeping role of the ministry of finance		Existence of a formal process to evaluate value for money				Independent and impartial expert assessment
	2018	2020	PPPs	Other infrastructure projects	2018	2020	
Australia	○	..	✓	..	✓	..	..
Austria	○	○	×	×	+	△	○▲
Belgium (Flanders)	..	..	..	○	..	..	×
Canada	..	×	..	○	..	×	✓
Chile	✓	✓	+	+	+	×	▲
Colombia	..	✓	..	✓	..	✓	✓
Czech Republic	✓	○	○	✓	×	✓	..
Denmark	○	..	+	..	×	..	..
Estonia	✓	×	..	×	..	×	▲
Finland	..	○	..	×	..	×	○
France	×	..	✓	..	+	..	..
Germany	+	○	○	○	✓	○	×
Greece	×	×	■	✓	✓	△	■
Hungary	✓	×	×	×	✓	×	✓
Iceland	..	✓	..	✓	..	✓	✓
Ireland	×	○	✓	✓	✓	✓	○
Israel	✓	..	○	..	○	..	..
Italy	■	✓	✓	+	✓	+	×
Japan	✓	○	✓	△	✓	○	✓
Latvia	..	✓	..	✓	..	×	▲
Lithuania	..	○	..	+	..	○	▲
Luxembourg	○	✓	×	✓	×	○	○
Mexico	✓	✓	✓	✓	..	×	○
Netherlands	○	..	✓	..	✓	..	○
New Zealand	×	●	✓	✓	○	+	×
Norway	○	○	○	○	○	○	○
Portugal	..	○	+	○	○	○	▲
Republic of Korea	..	○	..	✓	..	+	○
Slovakia	○	○	+	○	+	○	✓
Slovenia	+	×	○	○	○	○	■
Spain	○	✓	■	✓	■	✓	×
Sweden	○	..	×	..	×	..	..
Switzerland	×	×	×	+	×	+	▲
Turkey	+	+	■	✓	■	○	×
United Kingdom	✓	○	✓	✓	✓	✓	○
United States	..	○	..	+	..	+	×
<b>OECD Total</b>							
✓ All projects	8	8	10	13	9	6	6
○ Projects above a certain threshold	9	14	4	7	5	10	8
△ Projects of specific sectors		0		1		2	
● Only for PPPs		1					
▲ Projects of specific relevance							7
■ Ad hoc basis							2
+ Other	3	1	4	5	4	5	
×	5	6	5	4	5	7	7
.. Not available/Not applicable	10	6	10	6	11	6	7
<b>Non-OECD countries</b>							
Costa Rica	..	✓	..	×	..	×	▲

Source: OECD (2018), Survey of Capital Budgeting and Infrastructure Governance; OECD (2020), Survey on the Governance of Infrastructure.

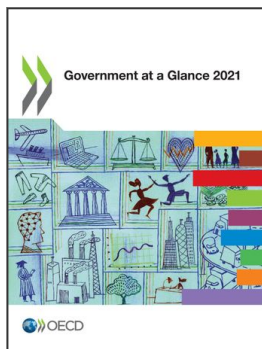
StatLink <https://doi.org/10.1787/888934258895>

### 11.4. Costs generally estimated to assess affordability of new infrastructure projects, 2020



Source: OECD (2020), Survey on the Governance of Infrastructure.

StatLink <https://doi.org/10.1787/888934258914>



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