

Reclaiming sustainable infrastructure as a public good

BRIEFING • By María José Romero and Flora Sonkin



INTRODUCTION

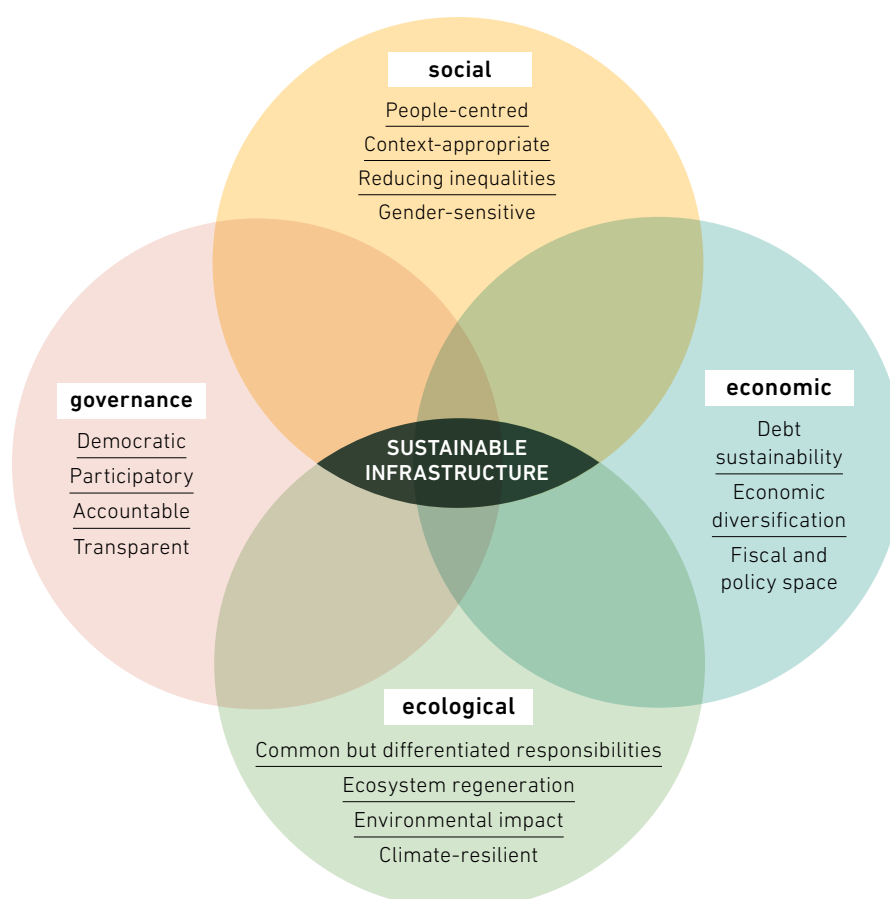
Infrastructure is key for achieving sustainable development and for improving the living conditions of people across the world, in line with the Sustainable Development Goals (SDGs), the Paris Agreement and commitments on gender equality. Sustainable infrastructure investments are placed at the centre of development strategies by many governments, including the G20, and international financial institutions (IFIs), particularly by the World Bank Group (WBG) and regional multilateral development banks (MDBs). China's controversial Belt and Road initiative, the G7's Build Back Better World (or B3W), the US President Joe Biden's infrastructure investment plan, and the European Union 'Global Gateway' approach are just some of the recent examples of how infrastructure is and will remain central for major development and Covid-19 recovery plans for years to come.

In the face of systemic deterrents to developing countries' domestic resource mobilisation – illicit financial flows, unsustainable and illegitimate debt burdens, unfair trade agreements, tax abuse by multinational corporations, and

insufficient financial sector regulation – the mainstream narrative on infrastructure finance calls for the use of public resources and institutions to leverage private finance to fill in the so-called 'financing gap' for sustainable development. But this policy choice presents numerous risks, especially considering the unsustainable debt burdens already faced by countries in the global south, increasing inequalities and looming ecological collapse. Now that a 'private finance-first' discourse is gaining further traction as a policy response in Covid-19 recovery plans, a critical analysis and debate from a civil society perspective becomes increasingly important.

Building on our work with partners from the global north and south, this briefing provides a framing to understand sustainable infrastructure from a systemic perspective. This focuses on global economic justice and developing countries' right to development, domestic resource mobilisation, and climate resiliency. It presents seven case studies that illustrate practices going on at the country and regional level. They are analysed through the lens of four interconnected pillars characterising sustainable infrastructure: **economic, governance, ecological and social**.

Figure 1
Sustainable
infrastructure
pillars



Box 1: What is sustainable infrastructure?

We define sustainable infrastructure as a structure or facility that is planned, designed, constructed, operated and monitored in a transparent, participatory and context-appropriate way. It contributes to national and local priorities, extends access to services, paves the way to a just transition towards sustainable and climate-resilient economies, and is financed in a transparent and sustainable way, meaning that it does not lead to unsustainable debt.

CASE STUDIES

These case studies – which are available in [full version online](#) – encompass diverging approaches towards infrastructure finance and development. One approach is geared towards private sector interests, which conceives infrastructure as an asset class, prioritising large-scale projects that contribute to a growth oriented and export-led development path. A contrasting approach views infrastructure as a public good meant to serve local communities' needs and human rights, relying mainly on public financing, and active citizen participation.

ARGENTINA

Argentina's Highways and Safe Routes Network was a PPP project implemented in 2018. It was specifically designed to attract private investment and presented as a project that will pave the way for other large infrastructure projects. However, the project had several limitations:

- The national government reallocated taxpayers' money away from public infrastructure and towards domestic and foreign private investment.
- Due to the Argentinean economic crisis, capital markets were only prepared to offer financing at high interest rates. To save the project, the government worked with international financing institutions to mobilise funds and provided guarantees and loans using public funds.
- The project ultimately increased its investment costs, which contributed towards Argentina's indebtedness.

COLOMBIA

The **Cundinamarca Eastern Perimeter Corridor in Colombia** is a PPP road logistics project that aims to increase connectivity in the country's capital, Bogotá. This project illustrates conflicts in infrastructure development that cannot be underestimated, including:

- failure to prove that this project was in the public utility
- increased tax burden for Colombia's citizens
- lack of meaningful consultation and accountability

There are doubts about the correct application of the social and environmental safeguards of financial institutions, specifically the Inter-American Development Bank (IADB) policy framework, and compliance with the Performance Standards of the World Bank's International Finance Corporation (IFC).

DEMOCRATIC REPUBLIC OF CONGO

The **Inga III dam power plant in the Democratic Republic of the Congo** is a PPP hydroelectric project that is currently in its design phase. The project was preceded by failed mega-infrastructure dams. The project is described as a step towards the creation of a continental electricity market that is important for accelerating the region's industrial economic development. However, it raises a series of concerns:

- It is designed to meet investors' needs rather than prioritising development goals
- It is likely to lead to increasing indebtedness.
- Transparency issues make it difficult to ascertain the details of who benefits from the project.
- It contributes to ecological degradation and displacement of communities.
- The adverse impacts on gender are especially visible, since a community of previously self-sufficient women have lost their livelihoods

MYANMAR

Myanmar's Myingyan gas power plant is the first PPP in the country's energy sector. It is financed by a consortium of MDBs and commercial lenders, including the World Bank Group and the Asian Development Bank. While MDBs' engagement could indicate that social and environmental processes were to be followed, the systems used during the project development phase did not adequately consider how to ensure that social and environmental benefits for local communities are prioritised alongside the economic fulfilment that the private investors in the project are reaping.

This project illustrates the risks of non-transparent PPPs for ensuring government accountability to citizens and residents, and the pitfalls that can arise from private sector involvement in projects that are meant to prioritise the public good.

LITHUANIA

Lithuania's Prosumer Solar Community is a government-led project that allows citizens to buy or rent a remote solar panel through an online platform. Individuals are both producers and consumers, or 'prosumers' in this model. The project provides sustainable energy at low cost and empowers communities to lead in climate change mitigation strategies at a household level. This shared scheme brings governments, organisations and private consumers together and ensures the creation of a shared goal. The government provides incentives and subsidies to citizens, as well as public infrastructure and technological support.

While Lithuania is the first country in the world to launch an online platform to buy solar energy, there are other similar projects in progress. We can expect to see more advanced solutions for developing solar energy production around the globe in future.



ZAMBIA, MALAWI & MOZAMBIQUE

The **Nacala Road Development Corridor in Zambia, Malawi and Mozambique** is a regional mega-enterprise logistical project developed to enhance the regional connectivity of southeast African countries and to improve their further integration into global trade. The project has been implemented as a PPP by which the governments of Zambia, Malawi and Mozambique set up joint ventures to develop and manage the infrastructure and equipment in the corridor.

However, improvements in regional connectivity and competitiveness have come at the cost of substantive negative impacts for local communities and the environment, including deforestation and illicit logging of trees, leading to soil erosion. This, in turn, has threatened the livelihoods of rural populations along the corridor. The main beneficiaries of the project include actors in the transport industry, export/import operators, freight operators and the business community, and debts accumulated through loans for the project have come at the expense of citizens' welfare.

BRAZIL

Brazil's One Million Cisterns Programme (P1MC, for its Portuguese acronym) is a civil society organised and community-led project that addresses water shortages in Brazil's semi-arid region through cistern storage. The individual cost for building a 16,000-litre plate cistern is R\$ 4,560.11 (US\$ 815). Funding came mostly from a partnership with the federal government, and with state-owned companies and institutions, such as the Banco do Brasil Foundation, Petrobras, and the Brazilian Development Bank (BNDES). In its 20 years of implementation, the project has achieved the following targets:

- It has benefitted 628,355 families.
- It has empowered communities, especially families and women. The list of people registered includes 70 per cent female beneficiaries.
- It has demonstrated the potential to stimulate the economic development of the region and contribute to increasing food security whilst enabling an ecologically friendly and community-centred approach.

A cistern in Pernambuco, Brazil

CONCLUSIONS AND RECOMMENDATIONS

Sustainable infrastructure investments are placed at the centre of development strategies, and rightly so, as they are key to delivering on the services and facilities that allow for the well-functioning of economies and societies. Yet, as the [full report](#) shows, the prevailing narrative on infrastructure finance contains pitfalls and limitations that might undermine its stated objective. To address them, the report provides a framing to understand sustainable infrastructure from a systemic perspective. This focuses on global economic justice and developing countries' right to development, domestic resource mobilisation, and climate resiliency.

Having looked at what makes infrastructure and its financing mechanisms (un)sustainable through the four interconnected pillars of its economic, governance, ecological and social implications, a few conclusions and policy recommendations can be drawn. The [full case studies](#), which we encourage readers to access online, highlight that the emphasis on attracting private investments towards large infrastructure projects or mega-corridors raises major concerns. Not only does this approach not address the structural weaknesses of socioeconomic transformation in developing countries, but it also exacerbates the existent development obstacles faced by these countries, including indebtedness, commodity dependence, vulnerability to volatile capital flows, ecological damage and weak public infrastructure systems. In contrast, projects which have implemented active participation and even co-creation with local communities, integrated a gender-sensitive lens, and responded to local and national needs throughout their planning, design and financing, are more cost-effective and ecologically sustainable. They also contribute towards the long-term development plans of countries whilst simultaneously serving the interests of local communities.

Increasing urbanisation, migrating and/or displaced communities, and the ever-growing connectivity of the world are but a few infrastructure trends for the next decade. As all of these trends continue, it is important to ensure that infrastructure projects serve the public good and work to enable the enjoyment of human rights for all. Civil society has a key role to play in reclaiming sustainable infrastructure as a public good by calling on decision-makers and IFIs to shift course. We provide policy recommendations to advance this collective agenda, with actions that encompass the four interconnected pillars of our analysis.

Policy Recommendations

1. Scale up publicly financed infrastructure, particularly in social sectors. Public financing is often less costly, more financially sustainable, and more directly accountable to citizens than private financing. Moreover, public interventions are critical for social equity reasons or where social returns are much larger than private returns.

This requires:

- a) Putting in place an ambitious plan at the international level to increase domestic resource mobilisation. Clamping down on losses of public resources through tax abuse; dealing with unsustainable debts through a new fair, democratic and transparent sovereign debt workout mechanism; challenging unfair trade agreements; increasing levels and quality of international concessional resources, including through meeting official development assistance (ODA) commitments; and creating new sources of public financing would all be key contributions to ensuring adequate fiscal and policy space to bridge the global infrastructure gap and thus achieve the SDGs.
 - b) Promoting industrial policies as an essential part of national development strategies for countries in the global south. These can enable countries to move away from commodity dependency and export-oriented strategies and move towards socioeconomic transformation through diversified, dynamic, inclusive and sustainable economies. The infrastructure systems needed for such economic diversification are very different from those involved in commodity export strategies, and industrial policies can support that transition.
2. Rethink the promotion of private finance for infrastructure. An infrastructure finance agenda focused on developing 'infrastructure as an asset class' and promoting PPPs risks undermining progress on meeting the SDGs. Private finance might be appropriate in some circumstances, but only when democratically owned development plans are followed, high quality and equitable public services are prioritised, and international standards of transparency and accountability are met. National governments should preserve their capacity to regulate in the public interest.

3. Improve the quality and sustainability of infrastructure, including its systemic considerations. Sustainable infrastructure is key to strategies for socioeconomic transformation and a resilient recovery. If governments and multilateral institutions are serious about this agenda, sustainable infrastructure and its financing mechanisms must be rooted in human rights and socioeconomic transformation, high standards of democratic accountability, and contribute to an intergenerational approach to climate adaptation. This includes:

- a) Prioritising measures aimed at democratising infrastructure governance. The governance of infrastructure concerns the prioritisation, planning, financing, regulating, contracting, and monitoring of the built assets and associated services that are essential for economic diversification and human development. Poor governance occurs when these processes are opaque, poorly managed and when they fail to prioritise the needs of people and the environment. Local/affected communities should be engaged in co-designing projects rather than engaged in tokenistic consultation processes. Transparency is key in this process and the highest international standards of transparency should apply.
- b) Integrating resilience into planning and delivery systems. New and existing infrastructure development must take a systemic perspective into consideration when planning for resiliency in a broad sense (social, economic, ecological). Infrastructure must be designed and adapted to withstand, respond to and recover rapidly from disruptions related to environmental hazards caused by climate change. This requires strengthening public institutions, improving design standards to integrate sustainable

technologies and designs, and prioritising resource efficiency. Resilience also means supporting the development of infrastructure systems that enable countries' socioeconomic diversification and transformation, including community-led infrastructure and decentralised systems in addition to large-scale and centralised systems. It also requires considering the disproportionate impact of disruptions on the lives of girls, women and transgender people, due to existing inequalities and gender-based roles, and adopting measures to reduce and eventually eliminate inequalities.

- c) Promoting people-centred regional connectivity. Regional infrastructure connectivity should be planned and implemented with the goal of meeting peoples' needs as its highest priority. This includes creating decent jobs, stimulating local economic development, protecting the environment, reducing inequality, promoting gender equality and social inclusion, and building peace. Finance will be needed from MDBs and other sources, but they should work in genuine partnership with representative regional bodies, recipient countries and affected communities.

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