2021 FfD Forum

Panel I: "Accelerating infrastructure investments for a sustainable and resilient recovery and restoring trade"

Lead Discussant: Input by María José Romero, European Network on Debt and Development (Eurodad) on behalf of the Civil Society Financing for Development Group (including Women's Working Group on FfD).

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In my remarks, I would like to share four main points.

1) When talking about infrastructure, it is very important to acknowledge that public investment will continue to dominate infrastructure spending in many areas — especially in sectors where public interventions are critical for social equity reasons or where social returns are much larger than private returns. This acknowledgement is included in the last Inter Agency Task Force Report on Financing for Sustainable Development. In our view, it calls for a coherent approach to infrastructure finance, an approach that focuses on how to improve the quality of infrastructure and how to scale up publicly financed infrastructure. In this context, an important discussion to have is how to actually increase fiscal space at the national level. Civil society organisations are very keen to engage in this discussion, although I don't have much time for this now.

2) While it is relevant to work with the private sector to support the SDGs, mobilising private capital should not be seen as a goal in itself. A narrow focus on financing gaps neglects the longer term underlying structural issues in uneven global development. Numbers say nothing about what infrastructure is needed, by whom and for what purpose. Moreover, the type of finance that is prioritised can have an impact on the type of projects that are being implemented and the development model that they serve. A strong focus on private finance might lead to prioritising mega transport corridors, which in most cases are implemented to connect places of natural resource extraction to points of export and aim to integrate developing countries into global value chains, which leads to a global division of labour entrenched in colonial roots. In our view, it is important to frame this discussion in the context of the structural transformation that most developing countries urgently need. Thinking about infrastructure investments through the lens of a sustainable and resilient recovery, might entail considering types of infrastructure that actually serve to reduce countries' commodity dependence. Depending on the context, it might mean infrastructure oriented towards regional integration or connectivity between rural small-scale farms and urban markets, among others.

3) A development agenda focused on incentivising private investment at scale implies a strong emphasis on 'de-risking' private finance, with instruments like Public Private Partnerships and blended finance. However, in many cases these instruments have proved to be problematic on many grounds, in both developed and developing countries. The experience shows that PPP projects tend to be more expensive than publicly financed projects and they do not lower the fiscal impact of projects, as they effectively delay budget expenditures. Moreover, PPPs are usually a risky business for the public sector, and hence for citizens. As the Inter Agency Task Force report mentions, "the private sector may seek to transfer more risk to government as the crisis prompts reconsideration of risk allocation". The Task Force itself argues, "When

Governments must bear most risks, public financing might be the appropriate solution." Furthermore, a strong focus on PPPs can shift public sector investment priorities, which can have detrimental effects on women and the most vulnerable. On this ground, we believe that when promoting PPPs it is critical to have a clear assessment of the implications of the instrument.

4) Finally, an agenda heavily focused on de-risking private finance may in fact be undermining public policy objectives aimed at sustainable development in the Global South, leaving countries even more vulnerable to debt crises. This agenda implies a redefinition of the role of the state, which is a key consideration to stress in the context of a UN discussion on financing for development. In most cases, the state is defined by its capacity to protect investors' profits from demand risks attached to commodified infrastructure assets and from political risks attached to policies that would threaten cash flows, including higher minimum wages, climate regulation and from liquidity and currency risks. But these risks do not disappear, they are transferred to the balance sheet of the state. Importantly, all this contributes to undermine states capacity to guarantee the fulfilment of human rights, which is particularly problematic in this moment of crisis. Given all this, it is important to think about what the role of the state in the current context should be, and under what conditions private finance can play a positive role in development. For instance, private finance must follow democratically established policy priorities, serve the needs of citizens, and comply with high standards of governance, particularly, transparency, accountability and meaningful and active participation from a broad range of stakeholders at the national level, including local communities and women's groups.

Overall, we believe that the profound social, economic and climate crisis that the world is facing requires a careful consideration of these points. Business as usual is not a viable option.

Thank you very much.