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— Sarah COLENBRANDER, Overseas Development Institute, London

Image Source: Final voting on the conclusion of the High-Level Political Forum (HLPF) meeting at the United Nations headquarters in New York, in July 2018. Images by Nicolas J.A. BUCHOUD, all rights reserved ©.



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Cities and infrastructure investment for an inclusive economic recovery

The urban impacts of COVID-19

The early impacts of the COVID-19 pandemic were concentrated in global cities. The connectivity, density and dynamism that make these cities such rewarding places to live and work also facilitated the rapid transmission of the virus. Accordingly, the epicentre of the pandemic shifted from Wuhan, to Milan, to London, New York and Mexico City.

The costs went beyond disease. Jobs and incomes disappeared overnight as governments locked down urban economies. In India, this fuelled the largest migration of people since Partition as millions returned to the countryside, often bringing the novel coronavirus with them. Months of lockdown in tiny apartments without greenspace have inspired a more gradual exodus, as inner-city residents flock to the suburbs or further afield.

But COVID-19 is almost certainly a temporary blow. Urban areas will recover as the threat of the pandemic recedes, whether that happens in a few months or a few years. Cities simply offer too many advantages: the productivity gains that come from sharing knowledge and ideas, the lower costs that come from sharing specialised infrastructure, the social and cultural opportunities that come from meeting a much wider range of people.

The future of cities

The inevitable revival of cities offers an opportunity to improve living standards for an increasingly urban population. 4.4 billion people live in towns and cities today, and that number will rise to 6.7 billion by 2050. The vast majority of these people live in poverty. Most lack access to basic services such as clean drinking water, sanitation and affordable modern energy, and work in unsafe conditions for inadequate wages. And increasingly, they are battered by the impacts of climate change, such as flooding, heatwaves and storm surge. Landlords have captured most of the gains of agglomeration.

Despite these policy and market failures, urbanisation will continue because cities are sites of economic and social opportunity.

Supporting economic development while mitigating the

climate and biodiversity crises will demand massive investment in sustainable urban infrastructure. Mass transit, stormwater drains, sewers, electricity grids and decent housing are preconditions for healthy, dignified, productive lives. Accordingly, in advance of the G20 leaders' meeting, the International Monetary Fund has called for a collective infrastructure push to create jobs, stimulate growth and address climate goals. The challenge is to ensure that these investments also deliver an inclusive recovery that tackles inequalities and injustices.

Who gets to decide?

When questions of social justice are being considered in fiscal stimulus packages, they have largely focused on the distribution of costs and benefits. Infrastructure investments can directly create jobs for less-skilled workers; better transport can also improve their access to jobs, while improved energy access can enhance their productivity. Infrastructure investments in water, sanitation and solid waste management can reduce the environmental pollution that disproportionately affects low-income and other marginalised communities.

These outcomes would all lead to more equitable cities. However, 'distributive justice' – that is, a fairer allocation of resources – is not sufficient on its own. 'Procedural justice' – that is, fairer decision-making and dispute resolution

processes – will be equally important to drive an inclusive recovery.

Large infrastructure investments are almost always going to be designed, financed and delivered by powerful players: national and state governments, large engineering firms, commercial banks and institutional investors. But in the end, these systems will be used and paid for by households and small- and medium enterprises, who rarely have a voice in planning or implementation. Exclusionary decision-making processes too often means that infrastructure investments do not meet their needs.

What are the key ingredients?

A narrow focus on city leadership or project financiers will not deliver an inclusive recovery. These constituencies are rarely interested in projects where they cannot cut a ribbon at the opening ceremony or that do not generate a commercial return on investment. The overwhelming evidence from most countries shows that city leaders, bankers and investors are – for the most part – happy to let low-income and other marginalised communities fall through the cracks.

Therefore, an inclusive recovery driven by green infrastructure investment also needs:

- Local governments with sufficient capacities and resources. Municipal officials have an important role to play in mediating among different interests and crafting a shared vision for the city. They need to work with universities to build the human resources that cities need: planners, architects, engineers, administrators and more.
- A culture of rights and justice. People move to cities in search of opportunity. They want to contribute to urban economies and societies. A culture of rights and justice can create the space for them to pursue those opportunities so that “the right to the city” does not only extend to those who can afford it.
- A far-sighted and coordinated fiscal framework. Urban projects should not just be funded by narrowly defined beneficiaries. A good municipal transport network, for instance, benefits almost everyone in the city by reducing congestion and air pollution while boosting access to jobs and services. These infrastructure projects will also benefit future generations. National and local governments therefore need to look beyond project finance and think about how area-wide tax policies, general obligation debt and land value capture can be used in an integrated way to finance projects that serve the city as a whole.

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