Keynote speech Josep ROIG - OECD

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Distinguished Ladies and Gentlemen,
Dear colleagues and friends,

It is a great pleasure to be here with you and join this high-level discussion on the Governance of Infrastructure.

Allow me to start by saying that, on behalf of all the members of UCLG, we are proud of our partnership and honored to be strengthening the complementarity of our world institutions.

The members of the OECD are national governments, but nonetheless, in the past years, the organization has been adamant in acknowledging the role of sub-national governments around the world as **fundamental partners** to achieve sustainable economic and social development in an urbanized world.

We are stronger when we carry a common message while approaching it from different perspectives. Our partnership allows us to strengthen our key recommendations and find **synergies** to keep moving forward.

UCLG is developing, in close collaboration with the OECD, a **Global Observatory on Local Finances** collecting data from sub-national governments in 101 countries, representing 82% of the world's population. This tool is fundamental to monitor the financial capacities of local governments around the world to implement the ambitious commitment taken by the international community in favor of development.

UCLG also contributes to ongoing OECD initiatives, such as the Inclusive Growth in Cities. This only emphasizes the multiple values we share.

Therefore, our institutions have coordinated their participation in international events to mutually support our key messages, **creating and sharing viable solutions** for local governments to cope with their ever-growing responsibilities.

Considering that, we have acknowledged the role of local governments in implementing the international development agendas towards 2030. The **next urgent step** is to include local governments as a strategic partner in policy design; to empower them as **decision makers**, rather than executing partners of investment programmes.

We stress the importance of **multi-level governance**, and in this regard, we have gladly endorsed OECD's recommendations on Public Integrity and on Effective Public Investment across Levels of Government. These recommendations give us a common ethical ground and perspective to challenge the question that has gathered us today in Paris.

We look forward as well to the meeting on Urban National Policies that will take place in May and that will certainly raise many of the issues of the new urban agenda and specially the cooperation between national and local governments in implementing the global agendas and localizing the sustainable development goals.

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Dear participants, within the larger frame of Governance of Infrastructure, you ask me: "why, for whom and where"?

Why? Infrastructure for knowledge….Because infrastructure is fundamental to nurture knowledge that drives towards sustainable development

For whom? Infrastructure …For the people
Where? Infrastructure….At the territory.

Infrastructures have always been considered as a key factor for development. Infrastructures have always been for the people and for their activities on the territory.

WHY

Allow me to share with you some comments from the perspective of local and regional governments concerned with the challenges of one of the key points of our urban agenda: ENSURE ACCESS TO QUALITY AND RESILIENT INFRASTRUCTURES AND BASIC SERVICES FOR ALL , that is equipping our people and territories with **lasting infrastructures to boost and sustain development,** promote prosperity, deliver basic services and improve quality of life for all.

I will insist that we can improve the way we invest available funds in infrastructure in particular to support people in the territory where they live, work and play. To support livable cities livable regions, livable rural areas, livable territories.

We may improve on the type of investment and on where to invest.

The decisions on the type of investment are many times taken without knowing the local realities and considering the overall transformational effects of investments.

Nowadays, I prefer to use the concept of infrastructure for the knowledge community.

In any given community, there is what we could call an Infrastructural Operating System, which includes the Regional Bio-Physical Infrastructure (energy, water, waste, sanitation, transport, roads, ICT, eco-system services) and Local Social Infrastructure (education, health, food, housing, public space, spirituality, culrtures and sport). This is what supports the social and economic life.

The new knowledge economy and the new knowledge inhabitant needs to rethink their knowledge infrastructure for their people and their territory.

For whom?

Who are the actors or stakeholders? The citizens, the private sector, the public sector and the civil society have all different needs and they are demanding different knowledge infrastructures.

I believe that investments should take into account, not only private and public interests, but as well the interest of the commons.

Rebalancing the influence of the private/the public/ and the commons sectors on decision making on infrastructures is akey aspect of the new multi stakeholder governance.

Where?

Decisions on infrastructures cannot be decoupled of people and territory.

Furthermore, all those stakeholders may be considered as local, national or global therefore defending different types of infrastructures. The mobility needs of a daily worker asking for investment in public transportation are not the same than a cosmopolitan global worker asking for an airport and a high speed train to the airport.

The logic of the financial system, has tended to be biased towards metropolitan areas, real state, competitive economic sectors, middle or high income classes.

Investment should as well take into account the where.
At the global level, we may rethink our investment where urban growth is going to happen, that is in many LDC.

At the national level, for instance, investing on intermediary cities may in the long term have stronger development effects. Investing in infrastructure may **facilitate jump-starts in disadvantaged areas**, create local jobs and have a ripple effect in the local economy; but local governments must have a hold in the decision process of the investment in order **ensure an integrated approach, compatible with urban planning,** to root harmonious development.

At the local level, for instance, we may rethink how to invest in slums. Slums have their own infrastructural operating system. Any investment has to be related to the needs of the slum dwellers and the needs of the territory of the slum. There is a development path for slums and a specific infrastructure for the knowledge system of the slums. Lightweight infrastructures, for instance, is a concept worth developing at theis territorial level.

Cities are **engine of development** and therefore, strategies for lasting impacts must empower all the cities, no matter if metropolitan, intermediary or small, to manage efficient financial tools for attractive territories. The better-equipped and agreeable urban areas, the more competitive cities will be. Territories must be attractive and this is only sustainable when considering the implementation and long-term management of infrastructures to ensure **mobility, connectivity** and **basic services for all**.

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Dear friends, needless to say that creating jobs through public investment programmes in infrastructure is a common tool that is able to boost economies. However those recovery plans must be designed within a larger time frame of sustainable development. In this regard, critical analysis is key, and learning from past experiences will help us to improve.

According to the International Labor Organization, spending US$1 billion on large projects in advanced countries generates around 28,000 jobs per year, both directly and indirectly. The impact in developing countries is even greater. Investments also create induced jobs, which contribute overall to funding social protection. Nevertheless, these are immediate impacts which should be converted into sustainable economic cycles.

The ILO has also emphasized that **decentralized public investments** are often more efficient and should be favored in order to accelerate development strategies in cities where the infrastructures are rooted.

This is a very important point to be highlighted. It advocates for a shared planning process of investments between levels of government. Furthermore, it is crucial that this planning process achieves the implementation of a financing plan that identifies, on the one hand, bankable projects where the private sector may want to position itself. On the other hand, this financial plan shall spotlight and mobilize public funds, from national or local governments, for financially less profitable projects, in turn having great environmental, social and economic potential for harmonious territorial development.

1. BUILD COHERENT AND INTEGRATED NATIONAL URBAN AND REGIONAL POLICIES IN CONSULTATION WITH SUB-NATIONAL GOVERNMENTS
2. Move urban and territorial policies up the national agenda to harmonize the dynamics of urbanization with overall processes of national development.
3. Facilitate regular coordination between central government ministries and agencies, representatives of local and regional governments, civil society and the private sector, as part of the MLG approach, to harmonize national, urban and territorial development policies; integrate from the beginning local and regional governments in the design of public policies.

4. Foster a leading role for regional and local governments in defining regional development policies, particularly supporting regions and cities with limited capacities. Ensure coordination between strategic infrastructure and regional plans; and improve the design and co-financing of strategic infrastructures to make national and regional development strategies more coherent and supportive of local initiatives.

As members of the international community, we have agreed to leave no one behind in the path to Sustainable Development, let us add, leave no territory behind!

Directing public investment towards regions of high unemployment at the national or metropolitan level is a very powerful way to **create a positive dynamic**, creating jobs and bringing basic services together with sustainable urban infrastructure. Local government, in hand with proactive civil society, is the most pertinent level of government to tailor investments to local needs.

In Johannesburg, investment in infrastructure provided us with the means to make a political statement, changing the form of the city. We have been focusing our efforts on linking the townships with affordable housing and securing public transportation. This has proven to be most beneficial, both for the well-being of the residents and for the overall social and economic development of the city.

This calls for a **radical change to the approach of planning and urban design.** The goal is to focus on the rewiring of settlements to achieve resource-efficient urban flows, more productive land and building uses, and more inclusive social relations.

The case has convincingly been made that it is impossible to achieve a transition to sustainability without dramatically changing the nature and functioning of infrastructural systems. In this regard, sustainable infrastructure is the infrastructure that is socially, economically and environmentally sustainable.

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Based on these guiding principles, national policies are fundamental to support local governments in activating a positive change towards sustainable investments.

Starting from the project definition, national governments must take into consideration that it is in their interests to provide local governments with an **enabling environment** to allow them to development their full potential.

The dialogue across levels of government constitutes, in this regard, a core condition for successful investment programmes. In fact, the **economic performance of states are embedded in the economic performance of urban areas and territories.**

The first challenge we face is the tremendous investment effort to achieve our international ambitions. Different studies show that is necessary to double or even triple the invested amounts over the next 20 years.

It is therefore essential to ask ourselves: how do we expect local government to operate this change in scale considering that, nowadays, many of them in least developed countries do not have the capacity to finance their own prerogatives?

The study carried out by the OECD within the Global Observatory on Local Finances has highlighted the **great inequalities in terms of financial capacities** between local governments in the world. These inequalities are directly linked to the quality of decentralization framework:

- Overall, in high income countries where decentralization is more advanced, 30% of national revenue is allocated to local governments through transfer, taxation and other fees. With this level of resources, local governments can mobilize up to 50% of national public investment.
- Overall, in lower income countries, decentralization trends are still marginal and only 8% of national revenue is devoted to local governments. Subsequently, local governments have little capacity to borrow or invest. Actually, they account for 7% of national public investment.

Thereby, we face a **pressing need to invest**, notably in these countries. And we urgently need to provide local governments with sufficient financial means to assert their capacities to invest.

1. The implementation of efficient legal and financial frameworks to support decentralization also becomes key for local development. These frameworks should be, on the one hand, based on a **fair redistribution of national resources** between levels of government. On the other hand, they should be based on the principals of capturing part of the wealth created on the territory.
   In a global context of growing needs, the only solution for sustainable local finances, is to create a movement of return on investment in local budgets building on financial tools such as local taxation or capture of land added-value.

Worldwide, national economies are now open economies, and **cities are the anchor points** of production and international trade. Comparative advantages are now being measured in terms of services rendered to businesses and people in the territories.

Business competitiveness is increasingly linked to urban areas, and is contingent upon externalities that are available to economic actors and populations. These stem from the level of public investment.. With regard to investing in territorial development, national states and the private sector must adequately support these structural changes by organizing the implementation of investments that take advantage of the potential of the different territories, which calls for a specific strategy in terms of planning.

However, for an effective impact of such strategies, it is necessary to recognize the urban territory as a space for the mobilization and coordination of different actors. Any urban strategy and planning therefore requires a close partnership with local authorities.

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Ladies and gentlemen, we need to acknowledge our potential but also recognize our weaknesses. Local government cannot do it alone. But, national government cannot achieve a lasting impact without the participation local government. In other words, we must consolidate multi-level governance to face the urgent challenges, starting with financing development.

From the perspective of local government, financing is one of the main problems constraining effective investment in sustainable infrastructure. We have observed different practical solutions from local government to overcome the lack of resources.

In Johannesburg, we have considered creative solutions such as Pooled Financing Mechanisms to bridge the funding divide local governments are facing in particular for infrastructure. It gives us a bargaining solution to borrow and to fund larger projects, bringing benefits to several municipalities, while reducing risks for investors through creditworthiness and guarantees.

However, broadly speaking, we are facing a paradoxical situation. While global savings are abundant and cheap, we, local governments, are not able to access them and channel them to the territories where they are most needed.

Local governments, due to the dire state of their resources and lack of financial autonomy are, often, considered as risky counterparts. Therefore, it is important that we improve the quality of our financial management, but it is of utmost importance that national governments support our efforts and provide us with guarantee systems or banking intermediation to reassure investors.

Similarly, Climate Finance and ODA should be able to make the most of their power to lever and attract a greater number of investors. Nowadays, the available amounts are too low to be able to meet the challenges we face; nevertheless, they are assets to lever the necessary funds to operate the change of scale we need.

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Dear participants, the recommendation of the OECD on Effective Public Investment across Levels of Government underlines several points I have laid emphasis on.

On our side, in Bogotá, we adopted a Commitment and Action Agenda calling for a number of local, national and international actions.

Among them, we call for the co-creation of cities and territories with greater participation of the citizens, the re-centering of the right to the city at the heart of urban and territorial governance and ensuring access to quality and resilient infrastructure and basic services for all. We also invite national governments to build a new multi-level governance system, implementing effective decentralization, building coherent urban and regional policies and rethinking sub-national financing systems to reconcile financing with sustainability.

There is an urgency to create new financial instruments to finance local sustainable infrastructure and services accessible and adapted to local governments.

Let me recall our position on this.

The current model of financing does not respond to the needs of most existing and emerging cities and territories.

Budgetary constraints and failures in financial markets are inhibiting major investments in the renewal and/or expansion of basic infrastructures.

At the same time there is excess finance in the international system. These problems will not be resolved by current policy discussions, even if progress is being made in facilitating flows from the Green Fund to sub-national governments.

To face these structural challenges, a global partnership for urban housing, local basic services, and infrastructures financing could mobilize representatives from national and international financing institutions, regional development banks, institutional investors, donors, and sub-national leaders.

This could enhance new financial mechanisms as defined in the AAAA for the localization of means of implementation set out in the SDGs, the New Urban Agenda, the Paris Agreement and the Sendai Framework.

As part of this initiative, the following actions could be explored:

• Convene a high-level panel of international experts and local elected leaders. This would agree strategies with financing institutions to translate criteria in international agreements into bankable proposals for new and existing financial actors. It would reconcile financing with sustainability, and leverage urban and local development (e.g. lending to local and regional governments through sub sovereign loans, guarantee mechanisms to channel global savings towards local level in developing countries).

• Set up a global fund for infrastructures, basic services and housing to mobilize resources for leverage (e.g. de-risk, financial guarantee, PPP), and facilitate access to financing from banks and markets, particularly in low-income countries.

• Improve access to sub-national authorities to climate finance. A sub-national window should be included in the Global Climate Fund and other green financing mechanisms and selection criteria redesigned with subnational authorities to enable cities and regions to receive adaptation and mitigation financing directly or through domestic local financing institutions.

• Support the Global Observatory on Local Finance to review the effectiveness of fiscal decentralization processes; assess national and local government capacity to finance and implement development at the local level; and encourage the production of reliable public data on sub-national finances.

I would like to end by acknowledging, once again, the OECD for the quality of the analysis it provides, for the important work we have carried out together and that we shall continue developing further in the coming years.