OECD Observer

Opening a new chapter in the infrastructure of Latin America

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Crossroads with nature in Serra do Mar

In Latin America, as elsewhere, sustainable infrastructure plays a vital role in improving the quality of life and supporting economic growth. It determines our capacity to engage competitively in global trade and to grow our economies. In our cities, where 80% of the region's population lives, infrastructure helps reduce poverty by enhancing access to basic services and facilitating access to knowledge and employment opportunities.

What many people don't know is that sustainable infrastructure also has a lasting impact on climate resilience. Every year, natural disasters generate US$2 billion in costs in Latin America, not counting the incalculable loss of human life: in Colombia, my own country, the April 2017 rain-driven mudslides took the lives of more than 250 people. Good infrastructure is now more critical than ever to ensure that our homes become safer and more resilient to environmental shocks.

Since infrastructure is not built overnight, the decisions that we make today could have a major impact on our future climate. A new report by the OECD, *Investing in Climate, Investing in Growth*, shows that–at a global level– the next 10 years will be crucial in shifting infrastructure investment onto a more sustainable path . If we do not make this shift, we may witness an escalation of the tragic events that devastated part of Colombia and Peru earlier in 2017. Major global agreements–the Paris Climate Agreement, the UN Sustainable Development Agenda, and the New Urban Agenda–all took effect in 2016. They reflect a need for a new direction: that of making infrastructure less carbon-reliant and more climate-resilient.

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The real question, of course, is how to transform these agreements into reality. With budgetary and fiscal constraints, Latin America faces the challenge of bringing together governments, private investors and the public to finance the next generation of infrastructure projects and replace the obsolescent carbon-emitting infrastructure of today.

A critical starting point is the Nationally Determined Contributions (NDCs), the national climate plans that countries submitted when signing on to the Paris Agreement. Each NDC includes a national mitigation plan as well as proposals onhow countries will adapt to a changing climate. The NDCs, which will be reviewed, updated and improved every five years, are vital to helping reinforce signals to the private sector on the need to invest in low-emission, climate-resilient infrastructure.

As the new OECD report demonstrates, development banks, both multinational and national, have a role to play in turning plans into concrete actions. For example, the Inter-American Development Bank (IDB) has launched NDC Invest–a one-stop shop that provides flexible support to countries in order to integrate NDCs into their national planning; create portfolios of bankable, sustainable projects; support new business and financial models; and reduce the investment risks associated with these projects. Our aim is to help countries meet their commitments, and we have already begun working with Brazil, Chile, Guatemala and Mexico to this end.

The Sustainable Development Goals also provide incentives to integrate across different sectors and promote sustainable infrastructure. At the IDB, we are increasingly adopting comprehensive and inter-disciplinary solutions–health, housing, transport, biodiversity and climate–involving both the public and private sectors. An example is the Serra do Mar project in Brazil, where protected areas were created and improved along with housing, transport, education and health services for local communities, while reducing people's vulnerability to the likes of mudslides and other natural disasters.

Together with other multilateral development banks (MDBs), we are also working to mobilise private investment for sustainable infrastructure solutions, including urban transport and renewable energy projects, as there is simply not enough money available in the public sector to achieve the scale of change we need to deliver on these vital agreements in the time available. Mobilising private capital will depend on a judicious use of concessional funds to reduce risks throughout the project cycle: from improved early planning and project preparation through construction and operations.

To be effective, we must all work together–the MDBs, governments, private sector and civil society–to build more climate-resilient and low-carbon infrastructure in a more sustainable world. And the time to act is now.

References

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