

# Re-synchronising Infrastructure Investment and Sustainable Development: Priorities for Italy's G20 Presidency

by Nicolas J.A. Buchoud



The 2 trillion US dollars infrastructure plan unveiled in the United States in mid-April 2021 is just one among many illustrations of the growing role infrastructure investments will play in the political agendas of the post COVID-19 recovery. In the context of Italy's G20 Presidency, infrastructure investments are set to take centre stage as global leaders acknowledge the urgent need for new and more sustainable infrastructure capable of relaunching economic growth while providing for the green transition.

The G20 infrastructure agenda emerged from the coordinated responses to the 2008 global financial crisis and the G20 Pittsburgh Framework for Strong, Sustainable and Balanced Growth.<sup>1</sup>

<sup>1</sup> G20, *Leaders Statement: The Pittsburgh Summit*, 24-25 September 2009, <http://www.g20.utoronto.ca/2009/2009communiqu0925.html#growth>.

Initiated as an Action Plan at the G20 Seoul summit in 2010, it became a multi-year Global Infrastructure Initiative by 2014, at the G20 Brisbane summit. In recent years, a recurrent priority has been to address finance gaps, illustrated by the 2018 Roadmap to Infrastructure as an Asset Class and the Infrastructure Working Group Report on the Collaboration with Institutional Investors and Asset Managers on Infrastructure in 2020.<sup>2</sup> Yet in 2021, the G20 faces many new critical challenges.

<sup>2</sup> G20, *Roadmap to Infrastructure as an Asset Class*, March 2018, 2018, [http://www.g20.utoronto.ca/2018/roadmap\\_to\\_infrastructure\\_as\\_an\\_asset\\_class.pdf](http://www.g20.utoronto.ca/2018/roadmap_to_infrastructure_as_an_asset_class.pdf); G20 Infrastructure Working Group (IWG), *G20/OECD Report on the Collaboration with Institutional Investors and Asset Managers on Infrastructure*, July 2020, <https://www.oecd.org/finance/g20-collaboration-with-institutional-investors-and-asset-managers-on-infrastructure.htm>.

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A key question is whether leveraging infrastructure investments to support sustainable development pathways can become a shared priority within the G20. Italy's G20 Presidency has defined a four-fold agenda on infrastructure, focusing on (i) resilience and maintenance, (ii) digitalisation, (iii) sustainability and (iv) inclusion. In response, the Think-20 (T20) Italy taskforce on Infrastructure Investment and Financing has engaged over a dozen interdisciplinary teams, composed of think tanks, research and advocacy platforms and international financial institutions. The aim is to design forward looking policy-proposals applicable at a global and multiscale level in support of recovery, and to leverage infrastructure investments to foster long-term system change in support of sustainability.

While the International Labour Organisation warned in its January 2021 Monitor about "massive" income and productivity losses,<sup>3</sup> re-launching growth and job creation is an overarching issue. Yet, compared to a decade ago, this urgency comes with a clearer and more widespread understanding of the rising costs of growth and development policies that contribute to global warming and environmental degradation.

Therefore, it is not just about investing in new infrastructure or maintaining existing ones, but about establishing harmonised standards across emerging,

<sup>3</sup> International Labour Organisation (ILO), *ILO Monitor: COVID-19 and the World of Work*, 7th ed., 25 January 2021, [https://www.ilo.org/global/topics/coronavirus/impacts-and-responses/WCMS\\_767028/lang--en](https://www.ilo.org/global/topics/coronavirus/impacts-and-responses/WCMS_767028/lang--en).

lower-income and developed countries and regions by focusing on ecosystemic valuation. Recent assessments by the Organisation for Economic Co-operation and Development (OECD) for the G7 summit in 2019 and the Environment Working Group of the Saudi Arabian G20 summit in 2020, among negotiations to create a post 2020 Global Biodiversity Framework, converge in assessing the value of ecosystem services.<sup>4</sup>

In 2019, the T20 Japan was instrumental in raising G20 members' attention on the Quality Infrastructure Investment (QII) principles.<sup>5</sup> This attempt to formalise a more sustainable horizon for public and private infrastructure investments has triggered a strong and positive response within the global infrastructure space, from multilateral development banks (MDBs) to coalitions such as the Climate Policy Initiative.

The MDBs infrastructure cooperation platform (ICP) has even intensified its work in light of the COVID-19 crisis, issuing a common set of aligned sustainable infrastructure indicators in the fall of 2020. This has become one aspect of establishing a compass for recovery through infrastructure investments currently explored by the

<sup>4</sup> Organisation for Economic Co-operation and Development (OECD), *The Post-2020 Biodiversity Framework: Targets, Indicators and Measurability Implications at Global and National Level*, Interim report, November 2019, <https://www.oecd.org/environment/resources/biodiversity/post-2020-biodiversity-framework.htm>.

<sup>5</sup> G20, *Principles for Quality Infrastructure Investment*, June 2019, [https://www.mof.go.jp/english/international\\_policy/convention/g20/annex6\\_1.pdf](https://www.mof.go.jp/english/international_policy/convention/g20/annex6_1.pdf).

taskforce. The COVID-19 pandemic has raised another major challenge for the G20, as it has proven a highly asymmetric crisis. Several reports on COVID-19 cities policy responses and the territorial impact of the crisis have been issued throughout 2020 by the OECD or the Global Solutions Initiative.<sup>6</sup> They all show that the pandemic has affected the global economy largely through interconnected cities and urban regions and has exacerbated pre-existing inequalities within them.

In addition, the World Bank's 2020 Poverty and Shared Prosperity report has indicated over 100 million people will be falling into extreme poverty due to the crisis, and that a large part of them are urban.<sup>7</sup> Therefore, the T20 Italy Infrastructure Investment and Financing taskforce has devoted significant resources in exploring how infrastructure investments and financing models can effectively tackle social and urban issues and help reverse rising inequalities.

The QII principles successfully introduced at the G20 leaders' level by the T20 Japan, have rejuvenated the infrastructure spillover doctrines in 2019. They introduced a global macroeconomic focus on land management and acquisition, support to micro, small and medium

enterprises (MSMEs) and mobilisation of domestic savings based upon improving investment returns from infrastructure projects to communities and private investors. Yet, the crisis calls for greater ambition, as pre-crisis warnings already pointed to systematic underfunding of social infrastructure even in developed countries.

The accumulation of asymmetric impacts of the crisis, with exponentially negative consequences for lower incomes households, often women and children, and those working in the informal economic sectors – that is more than 2 billion people across the globe, or over 60 per cent of the world's employed population – calls for a voluntary reset of infrastructure priorities and targets.

Otherwise, urbanisation in major emerging countries is bound to become not only utterly inequitable but also unsustainable, thereby becoming an issue for developed countries as well and weighing on global recovery. A key question therefore arises about how the multilevel governance of future infrastructure systems can enhance their (re)distributional potential, echoing research on "green circularity" ahead of the G20 ministers of the environment and energy summit later in July.

While "levelling-up" local capacities and financing infrastructure investments for local communities are critical aspects to accelerate the transition towards carbon neutrality, value ecosystem services and enhanced social and economic inclusion, leveraging digitalisation and

<sup>6</sup> OECD, "The Impact of the COVID-19 Crisis on Regional and Local Governments. Main Findings from the Joint CoR-OECD Survey", in *OECD Regional Development Papers*, 19 November 2020, <https://doi.org/10.1787/fb952497-en>.

<sup>7</sup> World Bank, *Poverty and Shared Prosperity 2020: Reversals of Fortune*, October 2020 (revised March 2021), p. 11, <http://hdl.handle.net/10986/34496>.

innovation is another major issue for the T20 Italy Infrastructure investment and financing taskforce. The objectives include:

- strengthening regional value chains and cross-border data management;
- favouring investments in smart and inclusive urbanisation and the development of creative economy;
- enhance private sector participation in sustainable PPP frameworks;
- promote value chain integration through federated digital platforms or "infrastructure 4.0";
- develop more robust and resilient infrastructure systems and significantly lower operation and management costs.

The T20 Infrastructure taskforce can bring a relevant contribution to Italy's G20, and mark a turn in the definition and implementation of future development policies and related instruments.

In 1970, the first report of the newly created Club of Rome was featured as a *Quest for Structured Responses to Growing World-wide Complexities and Uncertainties*.<sup>8</sup> In 2021, stimulus packages across the globe lack multilateral coordination. Many emerging and lower-income countries face intricate, health, social and economic challenges without the welfare systems and health coverage of developed countries. Therefore, multilateral cooperation for policy-

making and knowledge development is more critical than ever before. Be it about digitalisation or sustainability, infrastructure investment can play a very important role in resynchronising growth and social progress, a condition for the effective delivery of the 2030 Agenda.

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<sup>8</sup> Hasan Özbekhan, *The Predicament of Mankind. Quest for Structured Responses to Growing World-wide Complexities and Uncertainties. A Proposal*, The Club of Rome, 1970, <https://s3.amazonaws.com/arena-attachments/644235/cda871b45cee6722e3b08ab1070adda4.pdf>.

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