



Florida High Schools Model United Nations

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UNITED NATIONS DEVELOPMENT PROGRAMME

MAKING INFRASTRUCTURE WORK FOR THE POOR

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Introduction

The relative distribution of a society's resources is a key determinant of how sustainable and equitable that society is. In very few countries do the poor find anything approaching equal access to the physical resources that they need to advance and to overcome the income and resource poverty that they face on a daily basis. In most of the world, the poor are routinely excluded from the enormous development benefits that accrue to more affluent segments of society that have ready access to the physical infrastructure of the country, such as the roads, power grids, sanitation, irrigation and communications systems, as well as schools and health care facilities. Truly sustainable development cannot occur, however, without improving the poor's access to these vital assets and systems. The United Nations Development Programme (UNDP) must play a key role in reducing the inequities in access to infrastructure and also in prompting governments, civil society representatives, and non-governmental organizations (NGOs) to design infrastructure projects that will benefit the poor.

Infrastructure Projects as Poverty Reduction Strategies

The cornerstone of development efforts within the UN System is the crucial set of benchmarks and signposts known as the Millennium Development Goals (MDGs). When world leaders agreed upon the MDGs in 2000, they focused world attention on the preeminent need to confront the devastating impacts that poverty, inequality, disease and environmental destruction impose on the world's peoples. While these same world leaders emphasize that the MDGs reinforce each other, they sent a clear message to their peoples by making the reduction of people suffering from extreme poverty, defined as people who live on less than \$1 USD per day, and extreme hunger the first of the MDGs. Infrastructure improvements are indisputably crucial steps in addressing all of the MDGs.

Infrastructure development must be contextualized very differently than it has been in the past, even the very recent past. Selim Jahan and Robert McCleery note that "during the 1990s, ...infrastructure development had little relevance to poverty reduction."¹ The increased focus on poverty reduction strategies that are holistic in nature necessitates that development planners, companies, NGOs, and civil society

¹ Selim Jahan and Robert McCleery, "Making Infrastructure Work for the Poor: Synthesis Report of Four Country Studies: Bangladesh, Senegal, Thailand and Zambia" UNDP New York 2005 p. 5.

representatives incorporate gender and environmental dimensions into the design and implementation of all infrastructure projects. Biases in infrastructure development also include a highly pervasive urban bias; most large-scale development projects are built to serve the needs of the largest cities in any given region. Economist Jeffrey Sachs writes that, in reference to building infrastructure projects in Asian countries with high population densities and large urban populations, “it was easier to introduce key infrastructure such as roads and power supplies in countries with larger populations, since these infrastructure networks are characterized by large initial costs of construction that are more easily financed by larger and more densely populated economies.”² In those regions that are most heavily urbanized, it certainly makes sense to base the majority of a country’s infrastructure projects in or near those cities but it is essential that the inhabitants of the country’s rural areas, especially the rural poor, are not overlooked during the planning and construction of the infrastructure projects.

Development planners and scholars must also view poverty as not being only a lack of income but rather, in a broader sense, as a situation of capability, income, and resource deprivation. Individuals who are not particularly deprived of income may still be impoverished because they lack the resources and by extension the capabilities to ensure that their lives are sustainable. In examining this broader view of poverty, Jahan and McCleery argue that “infrastructure development also contributes to non-income aspects of human deprivation. Infrastructure facilities help in building human capabilities, enhance educational and health achievements, improve human security, enlarge participation and reduce vulnerabilities.”³ Well-designed and properly implemented infrastructure projects will address both income and non-income aspects of poverty and will improve the overall sustainability of a society and its economy.

Economic Benefits of Infrastructure Projects

Infrastructure projects are usually discussed in terms of their economic benefits to their respective societies. While many infrastructure projects are public in nature, private infrastructure development is also very prominent in many countries. When focusing on the public-private dimension of infrastructure projects, economists often emphasize the element of excludability in the provision of the good or service. Excludability refers to whether or not a person’s access to the good or service depends primarily on his/her disposable income, although exclusion can also be predicated on other factors, including gender, religion, citizenship status, disability, or because the person is a member of a minority group. Public infrastructure projects are characterized by lower overall degrees of excludability than their private counterparts.

Coupled with the question of excludability is the crucial question of how rivalrous is each person’s consumption of the infrastructure good or service. Economists analyze rivalrous consumption by determining whether or not each person’s use of a particular good or service prevents other people from using that particular good or service. Large-

²Jeffrey D Sachs., *The End of Poverty: Economic Possibilities for Our Future* Penguin Press New York 2005 p. 71.

³ Jahan and McCleery, “Making Infrastructure Work for the Poor” p. 13.

scale infrastructure projects are usually characterized by low degrees of rivalry, meaning that many different people can use the good or service without preventing others from doing so. Any attempt at making infrastructure work for the poor must emphasize both non-excludability and non-rivalrous consumption in the provision of most infrastructure projects. These complementary conditions of non-excludability and non-rivalrous consumption are two defining components of public goods.

Many goods and services also impact people who had no role in the original production of the good or service. These additional impacts are known as externalities or spillover effects and they may be either positive or negative. Pollution is universally considered a negative externality because the pollution harms the quality of life of many people who took no part in its production. Properly designed infrastructure projects often provide both explicit and implicit positive externalities by providing jobs, reducing transportation costs, improving educational opportunities, and disseminating new technologies more widely. Unfortunately, “microeconomic cost-benefit analysis is likely to miss important positive externalities of infrastructure projects.”⁴ These positive externalities must be well articulated when explaining the need for new infrastructure projects, especially for those aimed at the poor, because many investment bankers and politicians do not immediately consider the needs of the poor when making decisions about infrastructure projects.

Large-scale infrastructure projects also hold out an additional crucial promise that small-scale projects do not: economies of scale. When a producer reaches the highest possible efficiency for a good or service, typically expressed as the lowest cost of production per unit of the good or service, that producer is able to reap the benefits of economies of scale. Economies of scale arguments can be quite effective when discussing the need to establish large highway systems or major hydroelectric dams but the larger the project the more bureaucracy associated with it as well as the higher initial costs to build the project. Large-scale projects require significant funding upfront and the monies spent upfront cannot be recovered, even if the project never provides any benefit to the society. Because these “sunk costs” are immediate and quite considerable, they are often daunting obstacles to approving and beginning large-scale infrastructure projects. They also tend to be run by large government or corporate bureaucracies, thus removing essential decision-making authority from the local people. Jahan and McCleery assert that “in general, only the dimensions of infrastructure projects that require large sunk costs are best managed by more complex hierarchies, such as large corporations or government agencies.”⁵

Collapsing Bridges Over Troubled Waters: Budget cuts and crumbling infrastructure

Infrastructure projects are often primarily financed and administered by governments. While this may foster greater accountability and responsiveness on the part of the managers, at least in more democratic societies, infrastructure financing on the part

⁴ Jahan and McCleery, “Making Infrastructure Work for the Poor” p. 11.

⁵ Jahan and McCleery, “Making Infrastructure Work for the Poor” p. 19.

of governments, especially in developing countries, has become increasingly vulnerable to budgetary concerns. Governments facing short-term budget deficits may delay the repair or construction of major infrastructure projects or even reduce their outlays for regular maintenance of the projects in an effort to save money. “Unfortunately, during periods of major economic shocks, budget cuts are often targeted at infrastructure without a full appreciation of what the long-term effects on poor people may be.”⁶ In Latin America, “in recent years, total spending in the region on infrastructure has averaged less than 2% of GDP. It is not enough. According to the World Bank, 58m [million] Latin Americans lack access to potable water and 137m lack sewerage.”⁷ The British journal *The Economist* notes that “India’s annual spending on infrastructure as a share of GDP [Gross Domestic Product] sank to a 33-year low in 2003—just 3.5%, or \$21 billion. The obvious comparison is with China, where spending on infrastructure that year ran to 10.6% of GDP, or \$150 billion.”⁸ Given the need for major infrastructure maintenance and improvement projects throughout the world, it is imperative that governments, development banks, investors, civil society representatives, and NGOs strive to finance appropriate infrastructure projects with an eye towards long-term sustainability. Private infrastructure providers can cover some of the gap created by reduced government expenditures but as will become more apparent below, private infrastructure provision introduces the exclusion principle of one’s ability to purchase the infrastructure goods or services that would otherwise be provided by the government.

Privatization as progress

When governments are unable or unwilling to pay for infrastructure projects, the projects will either have to be provided by private providers or the people will simply have to do without these projects and services. Advocates of privatization, the sale of formerly state-owned assets and enterprises (SOEs) to private companies and investors, argue that private companies are able to construct and implement infrastructure projects and services cheaper, faster, and more efficiently than slow-moving government bureaucracies. These proponents of privatization also claim that private firms offer consumers greater choices and because private firms are focused on earning profits, they must seek to cut costs and deliver desired goods and services at lower prices and with greater responsiveness than insulated government departments. Privatization must be assessed in light of the degrees of excludability and rivalry; essential services that all people need access to must be provided either through public goods provision or some provision must be made to provide the service at little to no charge to the truly needy by private providers. Jahan and McCleery also point to an additional consideration. “A third related concept is the natural monopoly, a service that is most efficiently provided by a single supplier. Natural monopolies, public or private, require effective regulation, while other forms of service provision require working markets.”⁹

⁶ Jahan and McCleery, p. 16.

⁷ *The Economist* “Slow! Government obstacles ahead” June 15, 2006.

⁸ *The Economist* “Building blocks” June 1, 2006.

⁹ Jahan and McCleery, p. 19.

The dark side of privatization

Privatization has often been touted as the best and most efficient way for countries, especially debt-ridden developing countries, to simultaneously address their fiscal budget and infrastructure provision problems. Unfortunately, privatization of infrastructure and social services in the developing world has frequently been plagued by corruption as well as the exclusion of the poor, and in a surprisingly high number of cases the middle classes, from the goods and services that private providers were supposed to provide at lower costs and with higher levels of services than the government. Jahan and McCleery conclude that “a particularly troublesome aspect of most privatization processes is that they have been perceived as lacking transparency, being managed by corrupt public officials and being governed by regulatory frameworks that were intended to attract investors more than protect consumers from the newly created private monopolies.”¹⁰ An agonizingly tragic example of these problems with privatization is the situation that Bolivia experienced when private firms assumed control over the water system. In 2000, the Bolivian government announced that private firms would begin charging Bolivians up to 35% more for water than the government had.¹¹ Considering that Bolivia was already the poorest country in South America, this overnight rate hike on one of life’s true necessities was too bitter of a pill for many Bolivians to swallow and violent protests erupted near the city of Cochabamba. The government issued a state of emergency decree but the protests and violent clashes with the security forces would continue off and on for many months and eventually the Bolivian government would cancel the contract with the foreign company. Consultations with the farmers and other affected peoples might have prevented these violent clashes and allowed Bolivia to avoid further political instability and economic unrest.

Combating Corruption

Given that infrastructure projects are often portrayed as being either costly or profitable, depending on the economic and political perspectives of the respective observers, it is absolutely essential that all levels of government as well as their civil society partners combat corruption through transparent bidding processes and the maintenance of effective oversight. Economist Paul Collier argues that “aid for infrastructure makes sense, but only if it is matched by a radical tightening of the enforcement of anticorruption norms and regulations in the construction sector.”¹² Civil society partners, including NGOs where applicable, may be critical elements of this tightening of anticorruption mechanisms.

If you build it, benefits will come

As infrastructure is provided for the poor, their economic fortunes typically improve for a multiplicity of reasons. The first and most obvious reason is that the poor

¹⁰ Jahan and McCleery, p. 20.

¹¹ *BBC News* “Bolivia protests claim further lives” April 10, 2000.

¹² Paul Collier, *The Bottom Billion: Why the Poorest Countries Are Failing and What Can Be Done About It* Oxford University Press New York 2007 p. 138.

usually live in the least desirable areas of their respective societies and the most deprived in terms of critical resources and services to improve their lives. The creation and/or expansion of crucial health, education, sanitation, communication, and power networks that serve the poor will immediately reduce this deprivation in terms of critical services. The second reason is that large-scale infrastructure projects typically require many workers and the poor will benefit immensely from stable income. The builders of the infrastructure projects and services will often realize large savings themselves by hiring local people, especially the poor, to do much of the work. Further benefits from the provision of infrastructure for the poor will be more dependent on the actual projects and services but these benefits often include improved education for poor children, much greater access to health services for the poor, reduced transportation costs for farmers and other producers, and enhanced resilience for the poor in terms of responding to both natural and man-made disasters. Jahan and McCleery point out that “when transportation costs are high, or health centres are hard to reach, many poor people stop seeking health care altogether.”¹³ While these absolutely essential benefits are most clearly associated with large-scale infrastructure projects, contemporary development analysts are beginning to emphasize the need for small-scale infrastructure projects that are immediately available to the local people.

Development on a human scale

Most conceptions of infrastructure projects center around massive concrete structures such as hydroelectric dams, imposing government ministry buildings, and superhighways. As development theorists and project managers have begun focusing less on large monuments and more on the real results in the lives of ordinary people, they have begun emphasizing that small-scale, human-centered projects are more likely to produce positive and sustainable results. Referring to the traditional emphasis on large physical structures and buildings, Jahan and McCleery note that “the benefits from the first type of infrastructure may trickle down to poor people through generation of growth, but it is the small, local, and community-based infrastructure that may make a direct contribution in raising the well-being of poor people.”¹⁴ One absolutely essential element of this human-centered approach to development is the inclusion of local people in the decision-making processes. Even when infrastructure projects and services are designed to help people in large cities and regional and national capitals that are hundreds of miles away from the actual location of the project, it is the local people who will find their lives affected, and in some cases severely disrupted, by the construction of new infrastructure projects and services. They may have crucial insights that will make the projects and services better and they have an absolute right to be consulted throughout the process of infrastructure provision. In the most extreme circumstances, local people may seek to delay or even sabotage the infrastructure projects and services because they see the projects and services as threatening and/or harmful to their communities and ways of life.

¹³ Jahan and McCleery, p. 14.

¹⁴ Jahan and McCleery, p. 5.

Stop thinking of us as helpless. We often provide all of our own social services.

One of the most condescending presumptions that pervades traditional development paradigms is that the poor simply cannot manage their own affairs and that they are always dependent on the government or the largesse of corporations and investors to alleviate their miseries. While it is true that government assistance is essential to poverty reduction strategies, that assistance has too often been previously lacking and the poor have had to provide their own social services. In El Alto, the million inhabitant suburb of La Paz, Bolivia, the poor have built the city and “because the government could not provide water, health, or education, they did that themselves, too.”¹⁵ The people of El Alto are not alone, either. Throughout the developing world, and especially in the shantytowns ringing major cities and in the rural areas far from any major city, the poor frequently only enjoy those infrastructure projects and services that they themselves provide. While this industriousness reveals the inventiveness of many poor people worldwide, this inventiveness is born overwhelmingly out of necessity and as is all too painfully apparent, these improvised infrastructure projects and services are sometimes deadly to their users.

Conclusion

The poorest people of the world experience deprivation not only of income and productive resources but even basic access to the tangible infrastructure that would allow them to redress these glaring lacks of income and resources. Thus, creating an infrastructure that provides equitable access for all people, including the very poor, is an essential component to achieving the Millennium Development Goals (MDGs). The UNDP must coordinate the efforts of international organizations, including the various agencies and bodies of the UN System, national governments, non-governmental organizations (NGOs), and civil society partners, including businesses and community organizations, to scale up existing, and where desirable and feasible, and initiate infrastructure projects that serve as public goods and/or generate greater employment and income for the poor.

Guiding Questions:

What is the current status of infrastructure in your country? Does the existing infrastructure serve the needs of all of your people? If not, what groups are most frequently excluded and why?

Does your government have any plans to expand or scale up its existing infrastructure, particularly in areas and ways that will assist the poor? How will these infrastructure projects be financed? How will your government, international organizations, donors, and civil society representatives ensure that infrastructure funds and resources are disbursed equitably and efficiently? Are these infrastructure projects also non-excludable and non-rivalrous in nature?

¹⁵ Paul Mason, “Reserving judgment on Bolivia’s newcomer” *BBC News* April 1, 2006.

