Long-term investors, private sector and think tanks contribution on infrastructure investment to build a sustainable economic and social recovery

2022 Joint Statement of the D20 Long-Term Investors Club (D20-LTIC), Business20 (B20) and Think Tank20 (T20)

Call to action

The **D20-LTIC, B20 and T20** wish to convey to G20 Members the message that increased infrastructure investment is key for a sustainable economic and social recovery. Such a contribution is possible by **prioritising green, sustainable projects that adhere to ESG criteria**, enabling all stakeholders to play their roles in financing the future's sustainable infrastructure. To increase infrastructure investment especially from the private sector, **G20 members should increase their support to blended finance instruments and project preparation facilities.**

Scene setter

The world in 2022 continues to be rocked by the Covid-19 pandemic and by geopolitical tensions, old and new. Moreover, an inflationary pressure unseen in decades has been mounting and is bringing to an increase of interest rates and living costs, worsening the life of vulnerable groups worldwide. In this context, sustainable and quality infrastructure is even more crucial to achieve the UN Sustainable Development Goals and Paris Agreement goals.

With limited public fiscal space and many acute needs including in areas such as health and social security, private participation in infrastructure financing has become ever more important. Private sector commitments are required to bridge the infrastructure investment gap, which the Global Infrastructure Hub estimates at an average of 600 billion dollars per year until 2040[1].

Emerging and developing economies (EMDEs) attract only a quarter of the global private investment in infrastructure projects and have seen a 28% decline in private investment in 2020 respect to 2019[2]. Institutions like multilateral and national development banks, export credit agencies and long-term investors have a significant crowd-in effect. In EMDEs, 75% of private investment in infrastructure occurs when such actors are involved[2].

Policy recommendations

As representatives of institutional investors (D20-LTIC), the private sector (B20), and think tanks (T20), we are willing to continue supporting the G20 efforts on sustainable infrastructure financing and be positive actors of change by **jointly calling the G20 Leaders to consider the following policy actions**.

We support the adoption of the G20 Infrastructure Investors Dialogue as a permanent feature of the G20 Infrastructure Working Group (IWG) calendar, following the 2021 edition success. The event has proven to be a key forum for discussion between public, private and institutional stakeholders on infrastructure and its outcome document conveys in a structured manner key priorities and recommendations for G20 Governments decisions. The 2022 G20 Infrastructure Investors Dialogue - promoted by D20-LTIC, the Indonesian G20 Presidency, the OECD and GI Hub – will also inform the G20/GI Hub Framework on how to best leverage private sector participation to scale up sustainable infrastructure investment.

We support G20 member states' focus on prioritising green, sustainable infrastructure projects, while being mindful of country circumstances, national strategies and nationally determined contributions. In doing so, the contribution to long-term economic recovery, the UN SDGs and the Paris Agreement Goals is achieved.

[1] GI Hub

[2] GI Hub Infrastructure Monitor 2021

We support the expansion of blended finance, one of the most important policy levers at the G20 member's disposal. Allocating more resources to blended financing tools, including through multilateral and national development banks, would allow organizations to invest, lend or provide guarantees alongside each other while achieving their own objectives. These objectives include remunerating capital or increasing the environmental and social outcomes. Such an endorsement would help mobilise private sector financing by mitigating investment risks and rebalancing risk-reward profiles of projects, thus leveraging limited pools of public or concessional funds, especially in cases when projects' marginal benefits to society are greater than its marginal costs.

G20 members should not stop at pure financial support, as the collaboration between public and private stakeholders should be wider and start earlier on to improve the overall investment climate. In fact, **designing bankable projects** remains one of the biggest hurdles when attracting investments in sustainable infrastructure. The project preparation stage determines the ability to invest in an infrastructure project and there is a need to improve project preparation capability, especially in emerging and developing economies. Channelling more resources to **Project Preparation Facilities** would allow for both technical support and funding in this important project stage. Also, **expediting legal proceedings** filed against infrastructure projects would avoid lengthy delays which ultimately impact the overall project quality.

We support G20 member states in finding common ground to foster a coherent approach to ESG indicators. These should be built in a streamlined manner to encompass both the need of private firms to carry out risk management and the need for institutions to carry out an impact assessment of infrastructure projects from an environmental, social and governance point of view. With a coherent approach to ESG criteria, it would be possible to develop sustainable infrastructure in a more tradable asset class, benefiting also more complex sustainable projects and facilitating bigger private investments. Having increased from 58 billion dollars in 2014 to 87 billion dollars in 2020, green private funds today represent half of all private investment in infrastructure projects[3].

G20 member states should consider supporting the private sector's sustainability trend and ESG considerations in infrastructure projects with incentives, such as adjusted prudential capital charges requirements on long-term financing, grant schemes and fiscal benefits and incentives, that reward green balance sheets.

Digital infrastructure in particular would benefit from G20 members incentives and support to increase and accelerate its development, also where universal internet coverage is not commercially feasible. This would create wide-ranging opportunities for people in education, remote work, trade, and socializing – which in turn would promote inclusive access. E-government would also drive transparency and efficiency in government services.

We appreciate the discussion around voluntary and non-binding QII Principles Indicators as an information reference tool for infrastructure projects. The indicators, adaptable to different country circumstances, sectors, and approaches, in line with the voluntary and non-binding nature of the QII principles, could help promote infrastructure as an asset class. While not intended to be used for the purposes of ranking or rating, such voluntary and non-binding indicators are intended to inform, as appropriate, decision-making on the design, building, operation and maintenance of infrastructure assets, address information shortfalls that may be reducing investment in infrastructure and support increased fund flows to infrastructure projects.

D20-LTIC B20 T20 commitment

Long-term investors, the private sector and think tanks are willing to cooperate with governments in promoting policy actions necessary to mobilise investments for sustainable and quality infrastructure.

We, the **D20-LTIC, B20 and T20 therefore commit to support the G20 efforts** implementing this Statements' policy proposals aiming at help reducing the current investment gap on quality and sustainable infrastructure, thereby contributing to a sustainable and inclusive growth.

[3] GI Hub Infrastructure Monitor 2021