STATEMENT

by Heads of G20 financial institutions with a development or public mandate summarizing discussions during the international conference "Sustainable Growth through Long Term Investment"

At their informal meeting in Moscow, on 18 July 2013, the heads of G20 financial institutions with a development or public mandate underlined the importance of their role in promoting strong, balanced and sustainable growth at the global level, according to the recommendation of the G20, and would like to state the following:

1. G20 financial institutions with a development or public mandate support the G20 and other leaders' efforts to promote sustainable economic growth, create high quality and productive jobs, address global economic imbalances and implement structural reforms that encourage domestic savings and investment with the aim to increase long term potential growth, enhance productivity and strengthen economic competitiveness. The participants acknowledge that the global economy still faces significant challenges and systemic risks. The global economic recovery remains weak and unstable as evidenced by the recent decreases of economic growth forecasts in both advanced and emerging economies. Many countries have not yet overcome the problems of budget deficits, looming sovereign debts, as well as structural problems limiting their economies' ability to adjust and grow.

   In this context, the participants welcome the Russian G20 chairmanship's initiative to promote creation of investment-friendly environment for all kinds of investments through regulation and taxation reforms, financial markets infrastructure development, intellectual property rights protection, increase on a broad base in productivity and other means, as well as identification of new sources of funding for long term investments.

   Against the backdrop of the economic downturn, banks' deleveraging and investor appetite for lower risks, G20 financial institutions with a development or public mandate, agencies and funds play an increasingly important role in ensuring the real economy's access to primarily long term financial resources both at national and transnational level.

The participants believe that active support from financial institutions, agencies and funds with a development or public mandate is crucially important for those programmes and projects, which require long term financing, in sectors such as national and trans-border infrastructure, green, innovative and inclusive growth projects, and projects on mitigation of climate change and its aftereffects, as well as systemic support to SMEs and entrepreneurship.

The participants support the High-Level Principles of Long-Term Investment Financing by Institutional Investors drafted under the auspices of the OECD at the request of the G20 Finance Ministers and Central Bank Governors. G20 financial institutions with a development or public mandate acknowledge that they can serve as efficient intermediaries in procuring co-financing of long-term programmes and projects in partnership with international financial institutions, national governments, institutional and private investors. Various eligible instruments are available for use including PPP and PFI mechanisms and co-financing instruments (like project bonds, long term equity funds, guarantee schemes, etc.).

G20 financial institutions participating in the meeting will seek to meet the key development challenges and cooperate on joint initiatives and mechanisms which integrate public, quasi-public and private long term funding sources. They will also continue sharing insights and experience in integrating sustainability principles and responsible financing in their practices.

2. The participants assume that any international and national regulatory and prudential rules and standards (for instance, equity requirements, liquidity ratios, and risk exposure) should be applied with due regard for the nature, objectives and business model of development banks and other long term

financial institutions. In particular, account should be taken of their focus on long term financing. Regulatory and prudential requirements should not be unfriendly to development finance institutions or other long term investors, or to their capability to invest, within prudent limits of risk-taking, and attract private capital.

G20 financial institutions at this meeting have identified the common challenges in infrastructure financing.

These include:

- A need to increase the supply of economically viable projects, prioritizing those which are included in general national strategies for infrastructure development and oriented to improve social equality, welfare and job creation, and to produce high social returns, and in which public resources are significantly leveraged by the private sector;
- A need for more coordination between project originators and various national authorities in case of transnational (trans-border) projects;
- A need for transparency and stability of national regulation that would meet the high regulatory standards and be coherent for investors protecting them against any changes in the rules of the game during the investment cycle;
- A need for uniform and harmonized requirements imposed on a project by different investors including risk and profitability indicators. Consistent, uniform requirements would help reduce project procurement and delivery costs;
- A need to expand the scope of project reporting with due regard for the information requirements of long term investors who are potential project participants.

Therefore, the participants are committed to continue the respective efforts and, where relevant, cooperate with the World Bank or other global multilateral institutions with a view to producing effective recommendations on potential ways and mechanisms to improve the quality of project proposals, and to generate a pipeline of projects eligible for financing by both financial institutions with a development or public mandate and private investors, as well as to enhance transparency, efficiency and economy of procurement. At this stage, developing a database of international investment projects accessible for potential long term investors can be recommended.

Given numerous individual and collective attempts to devise effective techniques for evaluating the performance of development finance institutions and their impact on growth, the participants deem it advisable to increase cooperation aiming to develop the relevant techniques. The OECD could be considered as a focal point to further improve such cooperation and alignment of methodologies.

3. G20 financial institutions with a development or public mandate note that enhanced cooperation and coordination with international multilateral financial organizations will improve the efficiency of long term investment projects and programmes intended to promote economic growth, and financial and environmental sustainability. Furthermore, it would facilitate introduction of the best practices in evaluation, structuring and monitoring of long term projects.

The participants subscribe to the communiqué of the February meeting of the G20 Finance Ministers and Central Bank Governors, where multilateral development institutions were called on to review and upgrade the existing approaches to interaction with national official financial institutions.

To improve interaction efficiency, international financial organizations (IFOs) and national development banks could, among other things, increase the amount and scope of co-funding infrastructure and sustainability projects and programmes that are of considerable social and economic significance (in particular, those aimed at integrated regional and territorial development). G20 financial institutions at this meeting will seek to encourage the World Bank Group and other IFOs to consider such an option and discuss new common long term financial instruments. They also hope that the reform of IBRD investment finance policies will enhance the potential for their cooperation with the World Bank Group in joint project financing.

The participants believe that new formats for multilateral interaction and cooperation at the regional and global levels (IDFC, LTIC, GCC, BRICS interbank cooperation) will assume even greater significance since they ally the institutions with the knowledge of local markets and those professionally versed in the fundamentals of long term investment. Such associations help harmonize the positions of development institutions' stance on international financial and economic cooperation, exchange of knowledge and best practices in core business activities, and identify mutually beneficial opportunities and common interests. G20 financial institutions with a development or public mandate intend to further strengthen and expand the cooperation framework.

G20 financial institutions with a development or public mandate acknowledge that, objectively, bolstering public awareness of their contribution to global sustainability would facilitate collaborating with IFOs and investors.

The participants note a positive effect of the Moscow meeting and recognize that this format of interaction between national and multilateral development banks, other financial institutions with a development or public mandate, international multilateral organizations, and associations and clubs of long term financing institutions could deliver the best value.