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THE CONTRIBUTION OF LONG-TERM INVESTORS, PRIVATE SECTOR AND THINK TANKS IN INFRASTRUCTURE INVESTMENT TO SUPPORT THE RECOVERY

2021 Joint Statement of the D20 Long-Term Investors Club (D20-LTIC), Business20 (B20) and Think Tank20 (T20)

The Covid-19 pandemic has radically impacted the world at large. We are now called to seize on the lessons learnt and plan the global recovery phase also looking at solving the existential crises constituted by climate change, inequality and lack of inclusiveness. Investment in both new infrastructure and maintenance of ageing one – in particular in advanced economies – plays a crucial role in overcoming the challenges ahead of us. As the World Bank reports, investing in the resilience of infrastructure systems in emerging and developing countries alone could potentially bring to gains for the global economy of over USD 4 trillion in the next 20 years, generating for every dollar invested in resilient infrastructure, \$4 in benefits¹. Moreover, the global infrastructure investment gap is widening at global level, partly due to climate neutrality targets, the need to achieve the Sustainable Development Goals and respect the Paris Agreement. Rising public debts and fiscal constraints will require new private funds to be invested in infrastructure. Private investments are also progressively declining, reaching a minimum low in 2019 and in 2020, also due to the pandemic. Against this backdrop, sustainability and digitalization will be at the core of the effort to finance the design, build, operation and maintenance of infrastructure in a way that helps tackle the climate crisis.

The D20-LTIC, B20 and T20 want to help overcome the global challenges now facing us and be positive actors of change jointly calling the G20 Leaders to consider the following policy actions.

G20 members should establish a permanent dialogue mechanism - such as the 2021 G20 Infrastructure Investors Dialogue - among the main stakeholders comprising institutional investors, national and multilateral development banks, general contractors and asset managers.

At global level, infrastructure is becoming one of the main drivers for geopolitical and economic competition. There is instead the need to ensure cooperation among different stakeholders at national, sub-national and city level to mobilise private investments to achieve low-carbon and climate-resilient infrastructure, that leaves no-one behind. Such a regular dialogue would be crucial to identify the main shortcomings that hinder a greater involvement of private investors in sustainable infrastructure, ensuring a better coordination and efficiency among national and regional infrastructure initiatives, especially when developed in non-G20 countries and developing ones.

¹ World Bank, Climate Change Overview, 23 March 2021



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G20 members should play a crucial role in establishing a level playing field for infrastructure investment worldwide to ensure accountability and accelerate the achievement of environmental and social goals.

Resilient infrastructure principles would need to be followed, as they consider countries' specific climate change, degradation and disaster risk exposure. A road to a common international understanding of quality infrastructure would also need to be agreed amongst the private sector, national and multilateral development banks and governments to boost private investments, while at the same time reducing bureaucracy and red tape.

G20 members should promote a global platform to facilitate exchange, cross-fertilization of new technologies in the infrastructure field to reduce their environmental and social impact and improving productivity in the sector.

To ensure quality and sustainable infrastructure financing, data and technology could be at the forefront of a new way to design, construct, operate and maintain infrastructure. The application of new technologies to infrastructure could result in the reduction of construction and maintenance costs, improving value-chain integration, climate resilience, reducing time of delivery, as well as accelerating the development of green infrastructure, ultimately lowering the risks of creating stranded assets.

G20 members should develop - where needed - and publish long-term infrastructure plans.

Informed by a precise assessment of current and future infrastructure needs, consistent with a sound financial framework and national economic strategies, such plans would be crucial to ensure a balanced, sustainable and steady recovery at global level and crowd in private and Long-Term Investors. A long-term vision on infrastructure could be a formidable catalyser to boost private investments as it closes the investor's gap in risk perception on the legal and regulatory frameworks it will have to adhere to.

G20 members should contribute to improving infrastructure financing availability by incentivizing lending to such projects.

Policymakers could implement, supported by risk evidence, incentives for sustainable infrastructure investing and financing by banks, also reviewing regulatory accounting requirements as International Financial Reporting Standard 9 (IFRS9) that can discourage long term credit. The infrastructure long-term investment and credit requirements of at least 10 years or more are in fact disincentivized by the IFRS9 framework, which hinders the ability of banks to fund infrastructure projects by increasing capital requirements and by requiring higher provisioning, proportional to the expected loss over the remaining life of the projects versus the time of origination, in case of a deterioration in credit quality.



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G20 members should design investment-ready mature project pipelines to facilitate the participation of private and institutional investors.

It is fundamental to create credible and predictable project pipelines, also with the help of willing national and multilateral development banks to improve bankability, while aligning national planning priorities and private investors' needs, especially in the PPP contracts, bringing in the long run to the emergence of sustainable infrastructure as an asset class.

G20 members should encourage the institution of frameworks and platforms that facilitate international planning of cross-border investments in large-scale infrastructure.

Accordingly, G20 members could work with multilateral, regional and national development banks to create global sustainable infrastructure project preparation and guarantee facilities. These institutions are in fact able to provide technical assistance that enable countries to elaborate cross-sectoral, cross-border and large-scale infrastructure planning, taking into account environmental and social considerations, as well as other regulatory matters.

G20 members should improve the conditions that foster blending of public and private resources, a practice which increases available resources and reduces the perceived risk for private investments.

Ad-hoc, market-ready financial tools to facilitate Public Private Partnerships should be created. Concurrently, reviews of existing PPP frameworks in the appropriate setting bodies should also be promoted, addressing their main shortcomings and facilitating co-investments by investors in quality infrastructure.

G20 members should promote public and private financing of urban and suburban regeneration projects while including sub-national governments, and especially cities, in global efforts to achieve low-carbon and climate-resilient infrastructure

To emerge stronger from the crisis, social infrastructure should be at the core of global investment efforts. These are the basis to ensure long-term economic growth and they are crucial for the well-being of citizens. The pandemic has changed the consumer habits and demographic trends, also changing the way cities are lived. Urban regeneration, which includes affordable housing and effective access to sustainable basic services, will thus be key to drive a recovery "from the bottom-up" and rebalance urban and rural development in support of low-carbon solutions and better land management.

We, the D20-LTIC, B20 and T20 commit to supporting the G20 efforts on the aforementioned policy actions hoping to help reduce the current investment gap on quality and sustainable infrastructure, thereby contributing to a sustainable economic model for the future.