2021 G20 INFRASTRUCTURE INVESTORS DIALOGUE:

FINANCING SUSTAINABLE INFRASTRUCTURE FOR THE RECOVERY

In collaboration with the OECD and the D20 Long-Term Investors Club

3 June 2021

Videoconference

Concept paper

Infrastructure is a crucial element in all aspects of economic and social activities, and is essential to the quality of life, the green transition and successful sustainable development.

Despite broad recognition of the need for more and better quality infrastructure investment, **in recent years, public and private investment has seen a declining trend**, which particularly affected social infrastructure. As a result, **the infrastructure investment gap is set to reach $15 trillion by 2040,** and is expected to be even higher if sustainable infrastructure needs – especially in developing and emerging countries – are not adequately taken into account.

Well aware of this trend, the G20 has long drawn attention to infrastructure and has made significant efforts to close the investment gap. In particular, it has taken **key steps to unlock private capital in infrastructure and align it with long-term growth and development goals.** Strengthening finance solutions for sustainable infrastructure, through diverse equity and debt instruments, will be paramount at the current juncture, considering that financial flows have been negatively affected as a result of the pandemic, particularly in developing economies where investment levels were already low.

Among the initiatives undertaken by the G20 is the ***G20/OECD Report on the Collaboration with Institutional Investors and Asset Managers on Infrastructure***, which was welcomed by G20 Finance Ministers and Central Bank Governors in July 2020 and G20 Leaders at their November 2020 Summit.

The report reflects investors' views on issues and challenges affecting private investment in infrastructure and presents policy proposals to address them. The collaboration, which was co-led by the OECD, was initiated by the G20 Infrastructure Working Group (IWG) under the Saudi Arabia's Presidency and then supported by the Italian Presidency. Institutional investors (i.e. pension funds, insurance companies, and sovereign wealth funds) and asset managers, managing all together more than $20 trillion of assets, were involved as they represent key decision-makers in long-term infrastructure investment.

G20 IWG members welcomed this cooperation and called for further collaborative efforts which will help **advance the G20 Roadmap to Infrastructure as an Asset Class and support progress on the G20 Principles for Quality Infrastructure Investment** that are ongoing priorities for the G20.

When welcoming the G20/OECD Collaboration Report, the G20 Finance Ministers and Central Bank Governors, and the G20 Leaders expressed their intention to explore options to continue this work in a flexible manner and without duplications with other initiatives, with the participation of the relevant MDBs and international organisations, with the process to be conducted by the G20 IWG, through discussion at the G20/OECD Task Force on Long-term Investment.

Against this background, the **2021 G20 Infrastructure Investors Dialogue, to be held under the Italian G20 Presidency in close collaboration with the OECD and D20 Long-Term Investor Club,** seeks to leverage ongoing efforts to advance collaboration between the public and private sectors, with a particular focus on unlocking further investment and sustainability.

This event will highlight existing initiatives and good practices of multilateral and national development banks, international organisations, governments, and the private sector in supporting private investor involvement in infrastructure, and seeking to integrate sustainability considerations in infrastructure. This is intended to **further advance an action-oriented agenda for dialogue with investors toward transformative infrastructure investment**, which will be brought to the attention of G20 Finance Ministers and Central Bank Governors at their meeting in October.

After a high level Roundtable discussion, the Investor Dialogue will consider two main themes in two separate plenaries: a) mobilising private financing for sustainable infrastructure, and b) risk mitigation, bundling of projects and Environmental, Social and Governance (ESG) risk assessment in infrastructure financing. The Dialogue will focus on innovative and emerging investment models, policies, and good practices.

Session I. High-level Roundtable on G20 Infrastructure Investors Dialogue. How strengthening dialogue between investors and governments can help mobilise private capital in sustainable infrastructure for long-term recovery

In the course of the collaboration established last year, investors have expressed their desire to engage with governments to ensure that infrastructure investment meets public expectations. Private sector investors in infrastructure see themselves not only as investors but also as **stewards of critical assets**. Building on a shared vision for long-term value creation in infrastructure among governments, regulators, and investors together can help ensure that public needs are being met.

In this session, high-level representatives from the business sector, investors and multilateral/national investment banks will discuss **infrastructure investment for the recovery from the COVID-19 pandemic**. They will share their views on the need for a sustainable and robust recovery through increased infrastructure financing and for enhanced collaboration across the public and private sectors.

Session II. Mobilising private financing for sustainable infrastructure

This session will discuss in greater depth successful business models, innovative financing techniques, and examples from diverse participants and markets to unlock financing for sustainable infrastructure, drawing on the collaboration established last year.

In the G20/OECD Collaboration Report, a number of policy areas were considered in order to help mobilise higher levels of investment for infrastructure, including capital markets and regulatory frameworks, risk mitigation, the development of common understanding on key contractual building blocks, and effective strategies and frameworks for investment programmes and project development.

Some of the top proposals from investors included using **collaboration, engagement, and partnership with the private sector as a mechanism to attract investment and manage risks.** Investors also discussed a number of innovative or emerging financing models. Partnership models in greenfield project development, securitisation, and listed equity instruments are some of the areas with specific proposals in the G20/OECD Collaboration Report.

A clear message was that early engagement with investors during the development phase can be beneficial, working in close collaboration with public authorities to structure investment opportunities while also making sure that projects are socially acceptable.

Investors also proposed that governments could **focus on strengthening institutions, ensuring transparency and commitment to supportive regulatory and policy regimes**. Investors saw a strong demand for public authorities to promote policy, regulatory and institutional frameworks that are transparent, fit-for-purpose, and bring stability to infrastructure markets. During the post-pandemic recovery, this could become even more important to regain confidence in infrastructure markets and boost sustainability.

Session III. Risk mitigation, bundling of projects and ESG risk assessment in infrastructure financing for climate mitigation, adaptation and resilience

Given the often complex nature of infrastructure investments, **effective means for risk allocation and risk sharing** are paramount in order to structure long-term viable investment opportunities. In addition, **investors reported they are increasingly incorporating or willing to incorporate sustainability and ESG considerations into their quality infrastructure investment decisions**, primarily as a means to mitigate risks and preserve the value of infrastructure assets over the long-term, given the long-term horizons of many infrastructure investors, but also to assess impacts**.**

Better understanding and assessment of sustainability, risk allocation between the public and private sectors, the development and bundling of investment-ready project pipelines, and de-risking mechanisms over the infrastructure lifecycle would *inter alia* be beneficial to capture the full potential of private pools of capital, foster innovation, and increase value for money and returns in the long run, while ensuring sound fiscal management and transparency.

The session will delve deeper into **mechanisms that enable the participation of private and institutional investors into sustainable infrastructure financing, with the support of multilateral and national development banks**. These institutions can play a very important role in helping mitigate risks by leveraging their resources, both in the most innovative, low carbon and technology-intensive sectors, and in support of quality infrastructure projects in emerging and developing countries, reducing inequalities and providing an opportunity for development.

Given the opportunities of the green and digital transition for the recovery and the long-term horizon of infrastructure assets, it is imperative that infrastructure investment choices today take into account access and inclusiveness and the impact of infrastructure on ecosystems in order to provide adequate social and financial outcomes, in line with the Paris Agreement. This session will also discuss **costs, challenges and solutions for governments and investors in integrating ESG in infrastructure and attract private financing,** taking into account different country circumstances.