

Global Infrastructure Facility: Update for G20 Leaders – November 2014

Introduction

Over the past year, the G20 has led a growing global consensus about the critical role of infrastructure to growth, competitiveness, job creation and poverty alleviation. There is strong unmet demand for infrastructure investment, estimated at above \$1 trillion per year for emerging and developing countries alone. At the same time there are substantial long-term financial resources held by institutional investors and other financiers, such as pension funds, sovereign wealth funds, superannuation funds, insurance companies and reinsurers, and state development banks.

A Global Infrastructure Facility (GIF) has been designed to help address this gap and build a global pipeline of infrastructure investments. The GIF will be an open platform and include governments, multilateral development banks and private sector financiers —focusing on the design, preparation, and financial structuring of PPPs and other complex infrastructure investments with commercial potential. This new form of public-private collaboration will be pivotal in helping infrastructure emerge as a recognized asset class, able to mobilize large sums of private finance.

Signing of the GIF Collaboration Arrangement

On October 9th, at the Annual Meetings of the World Bank and IMF, a first round of GIF partners signed a Collaboration Arrangement committing themselves to work together to achieve the common objectives of the Facility.

- The 16 private sector partners and financial institutions represent over US\$8 trillion in assets under management. These include some of the world's leading fund managers, pension funds, insurance companies, reinsurers, sovereign wealth funds and commercial banks.
- The Asian Development Bank (AsDB), European Bank for Reconstruction and Development (EBRD), European Investment Bank (EIB), and Islamic Development Bank (IsDB) have joined the World Bank Group as the first MDB signatories to the GIF.
 - This signals a commitment to collaboration between the multilateral agencies, which have traditionally provided public and private financing for infrastructure and support on market, regulatory and sectoral reforms.
- A core group of potential donors signed the Collaboration Arrangement — including Australia, Canada, Japan and Singapore — signaling their intention to provide seed funding to establish of the GIF.
- On September 11th, the Board of the World Bank approved a transfer from surplus of the International Bank for Reconstruction and Development (IBRD) to seed fund the GIF in conjunction with initial funding partners.

GIF pipeline development

- Since September, several countries have approached the GIF—from Central Europe, Sub-Saharan Africa, Middle East-North Africa, Asia and Latin America—to discuss specific projects and investment programs that could benefit from GIF support. These investments have the potential to mobilize large amounts of private financing. To realize this potential,

they will require cooperation from financing parties from project identification, through to their design and financial closure. This will help ensure the investments are attractive to private financiers while the services they deliver are affordable to consumers and taxpayers. This is where the GIF has an important role to play.

- These projects include complex public-private investment opportunities in such sectors as:
 - energy generation and transmission assets;
 - ports and airports;
 - freight railroads and toll road corridors;
 - urban transport and mass transit systems; and
 - water production and transmission projects.

- The GIF is now moving forward with establishing itself as a financial intermediary and multi-donor trust fund, housed at the World Bank Group. This will involve the finalization of a Partnership Agreement among the funding governments, MDBs as technical partners and the private and public financiers that make up the advisory council. In the meantime, projects and programs that could attract private investment are being brought forward by governments in both middle and low-income countries, by donor agencies and the relevant multilateral development banks. The GIF will be in a position to mobilize resources quickly in support of these projects once its Partnership Framework has been finalized.

- In addition, a program is now under design for convening the GIF Advisory Council to address the creditworthiness of infrastructure investments, coordinate the responses to regulatory challenges impacting long-term finance, and strengthen the conditions for establishing infrastructure as a recognized asset class.