

*The Fifth Tokyo Fiscal Forum*

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# Quality Infrastructure Investment G20 Deliverables under Japanese Presidency

財務省

Ministry of Finance, Japan

# Infrastructure gap remains large ...

- While estimates of infrastructure gap varies according to different organizations, a huge infrastructure gap will remain over the medium-term.
- Infrastructure gap could become a bottleneck to growth.

## Global forecasts

① Investment estimates

**\$79 Trillion**

Investment current trends

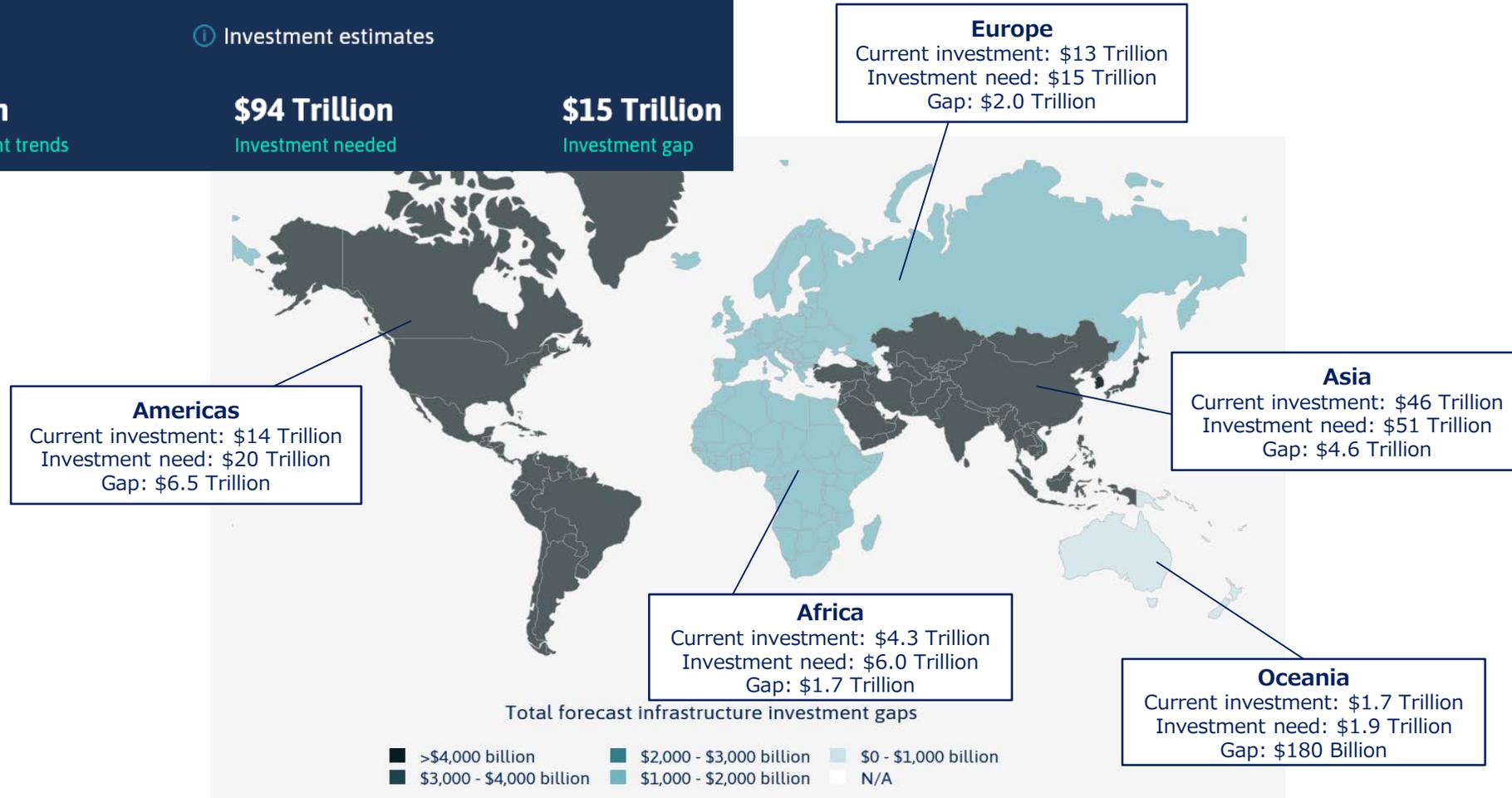
**\$94 Trillion**

Investment needed

**\$15 Trillion**

Investment gap

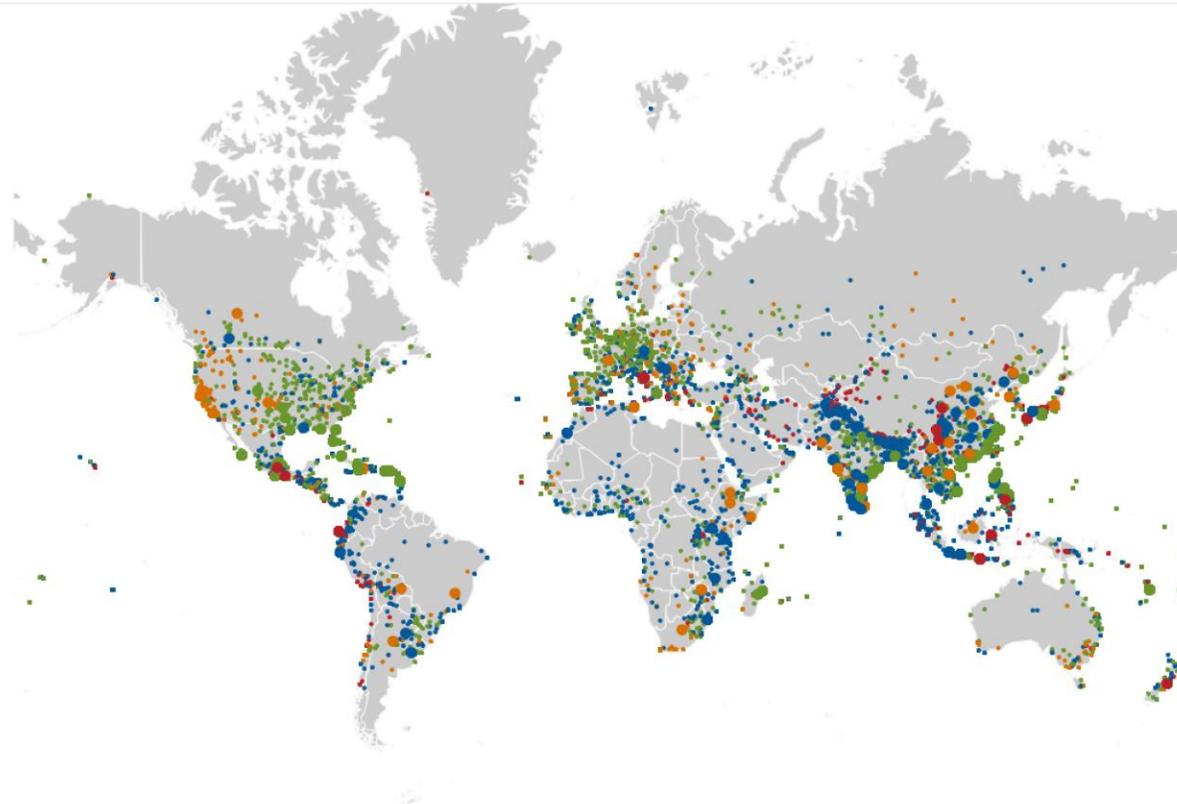
\* Forecasting infrastructure investment needs and gaps by 2040  
\* Compare forecasts globally, or across : 56 countries & 7 sectors & 5regions



# New challenges: an increasing number of natural disasters

## Geographical overview

Relevant natural loss events  
worldwide 2013 - 2018



Source: Munich Re, NatCatSERVICE, 2019

- Small, medium and large loss events
  - Catastrophes
  - Geophysical events (Earthquake, tsunami, volcanic activity)
  - Meteorological events (Tropical cyclone, extratropical storm, convective storm, local storm)
  - Hydrological events (Flood, mass movement)
  - Climatological events (Extreme temperature, drought, forest fire)
- 4,328** registered events

# G7/G20 past initiatives on quality infrastructure investment

## 2016

- ***G7 under the Japanese Presidency:***
  - ✓ Endorsed the Ise-Shima Principles for Promoting Quality Infrastructure Investment
- ***G20 under the Chinese Presidency:***
  - ✓ Welcomed the Joint Declaration of Aspirations on Actions to Support Infrastructure Investment by 11 multilateral development banks (MDBs)
  - ✓ Stressed the importance of quality infrastructure investment

## 2018

- ***G20 under the Argentinian Presidency:***
  - ✓ Endorsed the Roadmap to Infrastructure as an Asset Class

## 2019

- ***G20 under the Japanese Presidency:***
  - ✓ Endorsed the G20 Principles for Quality Infrastructure Investment

# G7's collaboration for promoting quality infrastructure investment

## ***Ise-Shima Principles for Promoting Quality Infrastructure Investment (May 22-23, 2016)***

### **Principle 1**

Ensuring effective governance, reliable operation and economic efficiency in view of life-cycle cost as well as safety and resilience against natural disaster, terrorism and cyber-attack risk

### **Principle 2**

Ensuring job creation, capacity building and transfer of expertise and know-how for local communities

### **Principle 3**

Addressing social and environmental impacts

### **Principle 4**

Ensuring alignment with economic and development strategies including aspect of climate change and environment at the national and regional levels

### **Principle 5**

Enhancing effective resource mobilization including through PPP

## **G20 Leaders' Communiqué: Hangzhou Summit** (Hangzhou, September 5-6, 2016)

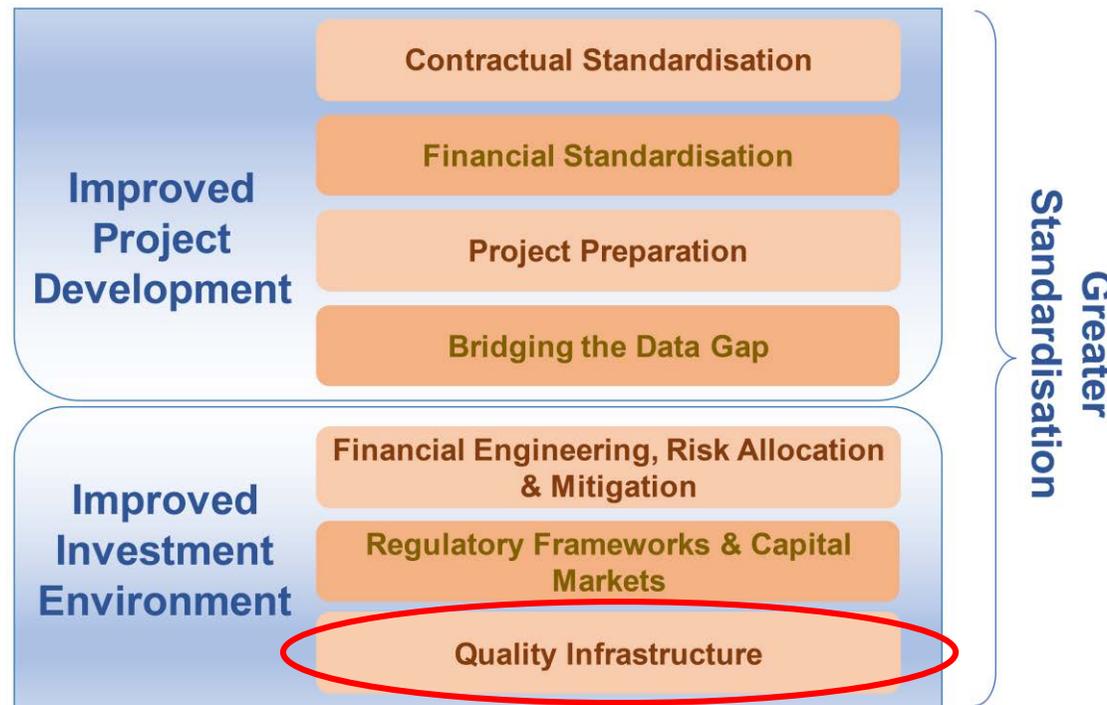
39. ...We stress the importance of quality infrastructure investment, which aims to ensure economic efficiency in view of life-cycle cost, safety, resilience against natural disaster, job creation, capacity building, and transfer of expertise and know-how on mutually agreed terms and conditions, while addressing social and environmental impacts and aligning with economic and development strategies. ...

# Continuation from the G20 Argentinian Presidency

...Recognizing the importance of the other work streams canvassed in the Roadmap – **Quality infrastructure** and Regulatory frameworks & capital markets – **we will work with incoming presidencies in the development of these areas**, concentrating only on aspects pertaining to the G20 Finance Track, and continue the progress of previous achievements...

*Source: ROADMAP TO INFRASTRUCTURE AS AN ASSET CLASS  
(Endorsed by G20 FMCBG, March 19-20)*

Figure 1. Pillars and work streams of the Roadmap to infrastructure as an asset class



# G20 Principles for Quality Infrastructure Investment

## **Principle 1: Maximizing the positive impact of infrastructure to achieve sustainable growth and development**

- Infrastructure investment, accompanied by job creation and technology transfer, creates a virtuous circle of economic activities, through capacity building, improved productivity, and increased private investment.
- Infrastructure investment, which is consistent with national development strategies and in line with relevant international commitments such as the SDGs, promotes sustainable development and strengthens connectivity.

## **Principle 2: Raising Economic Efficiency in View of Life-Cycle Cost**

- Quality infrastructure investment should attain value for money. It is important to take into account the total cost over the life-cycle of infrastructure, including the operation and maintenance (O&M), as well as the construction. The risks of delays and cost overrun should also be given consideration. Innovative technologies should be leveraged.

## **Principle 3: Integrating Environmental Considerations in Infrastructure Investments**

- Impacts on ecosystems, biodiversity, climate, and others should be taken into account. It is also important to utilize green finance instruments, through improving disclosure of environment related information.

## **Principles 4: Building Resilience against Natural Disasters and Other Risks**

- Management of natural disaster and human-made risks should be factored in when designing infrastructure. Well-designed disaster risk finance and insurance mechanisms help incentivize resilient infrastructure.

## **Principle 5: Integrating Social Considerations in Infrastructure Investment**

- The economic participation and social inclusion of all should be encouraged. Considerations on open access to infrastructure services, safety, gender, and the socially vulnerable are important.

## **Principles 6: Strengthening Infrastructure Governance**

- Efforts toward openness and transparency of procurement and anti-corruption, as well as access to adequate information and data, are important.
- Macro (national)-level debt sustainability, as well as project-level financial sustainability, is important.

# Reference Notes on quality infrastructure investment

- Reference tools prepared by the international organizations to help willing practitioners of recipient countries, MDBs, and bilateral creditors to plan and implement infrastructure projects in accordance with the “G20 Principles for Quality Infrastructure Investment”. One of the key deliverables under the Japanese Presidency of the G20.
- Four reference notes were developed: two for project preparation and procurement in accordance with the stages of projects; two for environmental and social considerations and governance in accordance with the themes of projects.

## *Stages of projects*

### *Project Preparation*

- ✓ Presenting issues at each stage of the life cycle of projects from preparation to implementation and monitoring (e.g. enhancing expertise of staff, prioritization of projects within a budget framework, and monitoring of operators throughout contract terms).
- ✓ Prepared by EBRD in cooperation with the World Bank.

### *Procurement*

- ✓ Clarifying key considerations to be made in the process of procurement by MDBs, such as value for money, openness among stakeholders, and transparency.
- ✓ Prepared by MDBs (coordinated by the World Bank).

## *Themes of projects*

### *Environmental and social considerations*

- ✓ Presenting issues to be considered in order to reflect environmental and social considerations provided in the G20 Principles on the practices of development partners, enterprises, and investors (e.g. open access to infrastructure services and improving disclosure of environment related information).
- ✓ Prepared by OECD.

### *Governance*

- ✓ Providing issues to be considered in order to put infrastructure governance provided in the G20 Principles into practice (e.g. ensuring transparency of procurement and debt sustainability and preventing corruption)
- ✓ Prepared by OECD and IMF.

# A New Database of Resources and Facilities

Global Infrastructure Hub / Quality Infrastructure Database

G20 2019 JAPAN

OECD

THE WORLD BANK

Global Infrastructure Hub

## Quality Infrastructure Investment Database

The Quality Infrastructure Investment Database is an initiative of the G20 under the 2019 Japanese Presidency, in collaboration with the Global Infrastructure Hub, the OECD and the World Bank.

The database includes resources and facilities relevant to Quality Infrastructure Investment under the principles of Sustainable Growth & Development, Economic Efficiency, Environmental Considerations, Building Resilience, Social Considerations, and Infrastructure Governance.

- The Database provides a one-stop reference to existing resources and facilities, helping practitioners of developing countries, MDBs, and bilateral donors to structure and mobilize funds for infrastructure investments.
- One of the key deliverables under the Japanese Presidency of the G20.
- Launched by the Global Infrastructure Hub, supported by the World Bank and OECD.

Filter By

- Sector
- Country
- Region
- Quality Infrastructure
- Infrastructure Driver
- Resource Type

**JBIC Global Facility for Quality Infrastructure Investment for Environmental Preservation and Sustainable Growth (QI-ESG)**

The new facility will provide various financial assistance to infrastructure development projects that are expected to contribute to global environmental protection.

[Visit official website](#) [View this facility](#)

DATE	RESOURCE TYPE	COUNTRY	QUALITY INFRASTRUCTURE
2019	Debt Instrument, Equity Instrument, Financial Facilities	Global	Multiple Categories

## Examples

- **JBIC** "Global Facility to Promote Quality Infrastructure Investment for Environmental Preservation and Sustainable Growth (QI-ESG)"
- **JICA** "Private-Sector Investment Finance"
- **APEC** "APEC Guidebook on Quality of Infrastructure Development and Investment" 9

# Next Step

## **G20 Osaka Leaders' Declaration (June 28-29, 2019)**

13. *Infrastructure is a driver of economic growth and prosperity. We endorse the G20 Principles for Quality Infrastructure Investment as our common strategic direction and high aspiration. These emphasize that quality infrastructure is an essential part of the G20's ongoing efforts to close the infrastructure gap, in accordance with the Roadmap to Infrastructure as an Asset Class. We stress the importance of maximizing the positive impact of infrastructure to achieve sustainable growth and development while preserving the sustainability of public finances, raising economic efficiency in view of life-cycle cost, integrating environmental and social considerations, including women's economic empowerment, building resilience against natural disasters and other risks, and strengthening infrastructure governance. We look forward to continuing advancing the elements to develop infrastructure as an asset class, including by exploring possible indicators on quality infrastructure investment.*



**Next Step: Implementing the QII Principles**