

Co-Chairs Summary

G20 Investment and Infrastructure Working Group (IIWG) Meeting

4-5 June, Singapore

Summary

The third meeting of the G20 Investment and Infrastructure Working Group (IIWG) reviewed initial country commitments to improve domestic investment environments, and provided an opportunity for members to discuss the evolving package of collective actions for delivery by the Brisbane Summit.

The international organisations' (IOs) assessment of investment measures in the preliminary growth strategies highlighted that these actions are unlikely to make a significant contribution to the G20's collective growth ambition. Members were encouraged to consider more concrete, specific and new commitments for inclusion in their growth strategies.

Work is also continuing across the other IIWG work streams. Members received updates on initiatives to improve the quality and accessibility of investment information, and options for enhancing the capacity of financial markets to channel long-term finance to investment in infrastructure and small and medium enterprises (SMEs). Members also discussed initiatives to improve coordination between multilateral development banks (MDBs). Consideration was also given to ongoing work to develop leading practices on project planning and preparation. Progress in these work streams is evolving into a number of collective measures.

There was broad support amongst members for the proposed package of collective actions across the key areas of financial intermediation, project planning and preparation, and MDB optimisation. Further consideration needs to be given to options to deliver a mechanism to progress this multi-year investment agenda. G20 Finance and Central Bank Deputies will be asked to agree to the key elements of the package of investment measures, and a mechanism to implement these actions, at their meeting on 22-23 June in Melbourne.

Improving the investment climate and peer review

The IOs gave a high level peer review of the country specific actions on investment that members had submitted in their initial comprehensive growth strategies. The actions submitted by members focused on improving business environments, credible pipelines of investment projects, legal frameworks, and financing mechanisms for infrastructure and SMEs.

The IOs noted that a large number of investment-specific measures had been included in the comprehensive growth strategies, and while important, it was difficult to identify what their contribution to the G20's collective growth ambition would be. This was because some of the reforms were previously announced actions and therefore could not be included as new commitments. A number of reforms to boost investment financing would not make a contribution to growth unless there was a measurable additional outcome – such as reduced capital costs - while other commitments were high level policy objectives rather than specific policy actions and it was

therefore difficult to identify and quantify their impact. The IOs encouraged members to be more specific in their growth strategies.

The IOs found that, overall, there was too much focus on the amount of investment and level of spending on projects, rather than on improving the broader investment climate, which would have a more sustained, positive impact on growth in the long term. The IOs indicated they would be happy to discuss individual country issues directly with representatives.

Members discussed the need for every country to revisit their investment commitments and were asked to consider additional actions they could take in this space ahead of the G20 Finance and Central Bank Deputies meeting on 22-23 June.

Proposed G20 deliverables

The Australian Presidency put forward a non-paper outlining a package of potential G20 deliverables for the September Finance Ministers and Central Bank Governors meeting for consideration by members. The package included collective actions across the IIWG work streams and also asked members to consider developing a mechanism — a Global Centre for Infrastructure (GCI) — to effectively implement the G20's multi-year investment and infrastructure agenda. The Presidency encouraged members to consider options for measuring the success of the G20 in delivering the investment package.

Members agreed that Australia's non-paper effectively identified and brought together the key issues the G20 should address on investment, and broadly supported the proposed actions. There was broad support for the draft leading practices on project prioritisation and preparation, which will continue to be refined by the membership. Members were also highly supportive of encouraging greater collaboration between IOs, as well as proposals to improve data availability.

On the proposal to establish a GCI, a number of countries suggested that a clearer role needed to be specified to identify how a GCI would add value to, and not overlap with, the current work of the IOs. Members called for consideration of a number of different options to deliver the proposed functions of the GCI beyond creating a standalone institution, including establishing a forum of IOs to identify and address gaps in their work, a website portal to house data initiatives, or a body housed within an IO. Members were also interested in exploring the potential role of the private sector in a GCI, with necessary consideration given to managing conflicts of interest.

Going forward, members were invited to provide written comments on Australia's non-paper and the draft leading practices ahead of the June Deputies meeting. The Australian Presidency will work with the IOs to more concretely define the current gaps in addressing infrastructure issues. The Presidency also agreed to develop a summary document on all investment outcomes being sought this year and deliverables that may be pursued in future years, as well as further information on the policy rationale for a GCI, ahead of the June Deputies meeting.

Financial intermediation

Discussions on financial intermediation highlighted progress on a number of initiatives to help channel finance to infrastructure and SMEs. On actions to improve the quality and accessibility of investment information, the FSB provided an update on their long-term investment quantitative

indicators project and called on all G20 members to join the project. The FSB is also continuing to monitor unintended consequences of financial regulation on long-term investment and will provide an updated report to the G20 ahead of the Brisbane summit. The ECB spoke about their recent initiative to collect investor-relevant SME data and its potential to enhance the capacity of financial markets to assess SME financing risks.

Updates were also provided on measures to enhance the capacity of financial markets to channel long-term finance. The IMF presented a paper on good practices for healthy securitisation markets, particularly for SMEs. Members were highly supportive of the work on securitisation and were interested in developing a set of principles on securitisation of SME loans as a deliverable. Singapore presented a non-paper on project loan financing and infrastructure investment. The FSB and France spoke on accounting standards and long-term investment, though some members objected to further work in the area of standard setting.

Germany will provide a follow up document on this work stream that details issues where the IIWG has made progress and what needs to be delivered this year, and identifies those issues that need more work and will continue to be progressed over time before taking stock of potential outcomes.

Optimising multilateral development bank resources

Members discussed initiatives to increase coordination between MDBs, particularly on project preparation, following a roundtable on strengthening MDB cooperation on infrastructure investment on 2 June. The World Bank Group provided an update on the Global Infrastructure Facility (GIF) and presented a detailed bubble chart on the upstream and downstream steps in infrastructure projects that the GIF would take on. The discussion also touched on the role the GIF could play in bringing MDBs together and generating a pipeline of bankable projects attractive for private sector participation. The interaction between MDBs and National Development Banks is also important, considering the synergies they could generate, complementing efforts for project financing and technical assistance. The Asian Development Bank (ADB) shared its own experiences on MDB coordination through its project preparation procedures and ISIS (International Systems for Infrastructure Support), which provides guidelines on project preparation phases.

Members asked the MDBs to provide a short note of their collaborative activities on infrastructure investment, as well as further information on which MDBs are also involved in the various upstream and downstream activities identified in the World Bank Group's GIF presentation.

Project planning and preparation

Members discussed the development of leading practices on project planning, preparation and prioritisation, and the need to be flexible in applying leading practices. The World Bank Group presented their principles on prioritisation of infrastructure projects and noted the particular challenges faced by developing economies in this space. Members recognised a number of additional issues that need to be considered for effective project planning and preparation, including funding of projects (taxation or user charging), managing contingent liabilities, and preparation capital. Noting that there are a number of proposals from members to develop a variety of principles on project planning, preparation and prioritisation, members agreed it would be useful to draw

these proposals together into one paper, including drawing on member case studies and work completed by the World Bank Group and OECD, for finalisation by the IIWG at their next meeting.

Next steps

The Australian Presidency outlined the next steps:

- The Framework Working Group will prepare a report on the comprehensive growth strategies for the June Deputies and Sherpas meetings. Time permitting, it is anticipated the IIWG co-chairs will review the investment component of this report.
- Countries have been asked to provide comments on the Australian Presidency's non-paper on potential deliverables and the draft leading practices prior to the June Deputies meeting.
- The Australian Presidency will seek to develop several papers ahead of the June Deputies meeting:
 - a summary document assessing the status of all proposed investment deliverables, to allow the IIWG to identify work to be completed in 2014, and actions for future years;
 - further information on the policy rationale for a GCI or related mechanism (which has now been included in the June Deputies Issues Note); and
 - a proposal on options for integrating the leading practices and other principles on project planning and preparation. This should incorporate work on PPPs by the World Bank and ADB, with this work to be adapted to the needs of advanced and emerging economies.
- The IIWG will work with the IOs to analyse infrastructure-related work undertaken by MDBs and RDBs, and define any gaps in current actions.
- Germany will prepare a non-paper on deliverables in two specific priority areas of the intermediation work stream identified in the Group meeting: a) principles for the securitisation of SME loans (including findings of the Bundesbank-IMF Roundtable in Frankfurt in 11 June); and b) a data template for SME loan-level investment data.

The next meeting of the IIWG will be held in Bali, Indonesia, on 28-29 August.

Outreach session

Prior to the formal meeting, an engagement session was held with representatives of the B20 and L20 to discuss in more detail the near-final recommendations of the outreach groups on investment and infrastructure. Representatives from the C20, T20 and Y20 were unable to attend the engagement session but provided written submissions on investment and infrastructure priorities to IIWG members ahead of the meeting. A representative from the Development Working Group also provided an update on their infrastructure priorities.

The B20 and L20 both emphasised the critical importance of infrastructure for economic growth and employment, and outlined a range of actions that the G20 could undertake to promote investment.

Many of these recommendations are well aligned with the priorities of the IIWG, emphasising the need for a strong investment climate, appropriate institutional settings, and better information sharing. The B20 also identified a need for a central body to facilitate the collection and dissemination of information and knowledge.

The OECD provided an update on the work of the G20/OECD Task Force on Institutional Investors and Long-Term Financing, which is working towards delivering its report on effective implementation approaches for the G20/OECD High Level Principles on Long-Term Investment Financing by Institutional Investors.