2022 G20 Infrastructure Investors Dialogue: Leveraging Private Sector Participation in Sustainable Infrastructure Investment
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Held in collaboration with the OECD, the D20 Long-Term Investors Club (D20-LTIC), and GIH on 15 July 2022

Outcome Document

THE CONTEXT

The COVID-19 pandemic has created a new paradigm for economic development and growth. There is now an even greater need to crowd in private capital into infrastructure investment. At the same time, the role of infrastructure investment is having to be redefined given its critical contribution in achieving sustainability and climate goals.

The G20 has agreed on the need to leverage private sector participation to scale up sustainable infrastructure, identifying key challenges to this including the enabling environment, transition pathways and ESG consideration in investment. This work will be formulated into a G20 Framework on how to best leverage private sector participation to scale up sustainable infrastructure investment that will identify and prioritize concrete actions to encourage public and private collaboration to increase sustainable infrastructure investment.

The G20 has long recognized the dialogue with the private sector to be critical, to both keep the private sector informed while ensuring G20 work is in line with and towards the same direction as private sector needs. The 2022 G20 Infrastructure Investor Dialogue focused on dialogue between the private sector and other stakeholders, including governments, multilateral development banks (MDBs) and National Development Banks (NDBs). It aimed to better understand the private sector’s perspective on achieving sustainability and climate goals, including on the G20 work to develop a Framework on how to best leverage private sector participation to scale up sustainable infrastructure investment.

This outcome document summarizes the key messages from the dialogue and aims to support and frame the ongoing discussion of the G20, as well as the better contextualising the G20/GIH Framework on how to best leverage private sector participation to scale up sustainable infrastructure investment.

KEY MESSAGES FROM THE 2022 G20 INFRASTRUCTURE INVESTOR DIALOGUE

In the dialogue, the private sector indicated their commitment to achieving net zero carbon emissions also by developing and financing sustainable infrastructure. This reinforced the strong demand international investors have had over the past few years for more bankable infrastructure
Private sector participants identified the following challenges and potential proposed solutions for the G20:

Institutional framework and government support

1. The need for clear and transparent regulation, as well as fast legal proceedings filed against infrastructure projects to avoid lengthy delays, continues to be a key condition for private sector infrastructure investment. This would provide the certainty and stability investors are seeking.

2. Investors need clarity on countries’ transition plans for infrastructure, to enable them to better align and evolve their investments.
   - Reconciling infrastructure transition pathways (through countries’ transition plans) with the vision of private investment is critical for achieving impacts that contribute to net zero commitments.
   - The availability of data and information on governments’ vision and plans to address sustainable finance in infrastructure should be increased to send signals to investors about when and how the investment should be launched.

3. Commitment and support from governments was deemed to be essential for private sector investors to enter infrastructure investments. This included (but was not limited to) the following suggested actions:
   - Governments support towards preferential capital treatment of sustainable infrastructure investments (through reforms to regulatory capital requirements), and the development of more innovative mitigation instruments for currency risk.
   - Government (financial authorities) incentivises towards banks and financial institutions at large through the recognition of superior performance of infrastructure debt. While current regulations include more appropriate treatment for high-quality transactions, these types of investors make up only a very small fraction of available transactions.
   - Encourage the creation of new asset classes to create scalable investment mechanisms for institutional investors.

4. Continuous dialogue between governments, MDBs, NDBs and the private sector on infrastructure investment needs through opportunities such as the Investors Dialogue was considered important, with partnerships between all actors being an important evolution leading to actual investment.
   - Facilitate greater discussion on infrastructure for the transition, and how public finance and fiscal space (that countries may or may not have) can be better used to secure the necessary level of investment.

5. Together with MDBs and NDBs, governments could enable better standardization of documents for project finance and core finance loan documents (including dispute resolution mechanisms), to reduce project preparation costs.
   - The G20, MDBs and NDBs need to play a greater role in developing bankable projects, including by: providing catalytic funds (including blended finance
solutions) for sustainable infrastructure investment; providing more de-risking instruments (more at scale and more nimble); and being more involved in project preparation.

- Collaborative efforts with donors, MDBs and NDBIs to provide more capacity building programs and project preparation facilities (particularly in sub-national level) are needed to increase the numbers of bankable infrastructure projects.

Clarifying sustainable infrastructure

6. There is an urgent need to develop a better and common understanding of ESG criteria. Without this, developing bankable, sustainable infrastructure projects may encounter challenges.

- Governments need to incentivise the creation of a single sustainable taxonomy or standards, or the interoperability of multiple ones, that can be utilised as the ‘gold standard/s’ by investors, MDBs and NDBs.
- Standards and definitions need to evolve beyond mitigation measures and be clearer and more concise in relation to impact so that bankable projects can be created.

7. Investors mentioned particular areas of improvement, such as the need to evolve definitions of sustainable infrastructure to:

- Include more quantifiable and measurable standards capturing operational performance and impact.
- Better link the standards to the SDGs.
- Include measures that capture performance and impact beyond mitigation, and to include measures on resilience, circularity, adaptation and economic development
- Make risk data more accessible.

Data issues

8. The dialogue highlighted the lack of a consistent and interoperable data set on sustainable infrastructure projects. This is slowing down the development of an investable asset class globally, hampering investments and preventing lessons being learned post-investment.

- As a result, the pool of investable projects for secondary markets remains small.
- There is also a need to incentivise the development and uptake of interoperable data nationally and sub-nationally, including from the financing community. This can be achieved by supporting the use of InfraTech that enables investors to access a larger pool of smaller sustainable infrastructure assets, and to enable the monitoring of that portfolio.

NEXT STEPS

The key messages from the dialogue have been considered in the development of the G20/GIH Framework on how to best leverage private sector participation to scale up sustainable infrastructure investment. This will ensure the framework is actionable for all relevant stakeholders including the private sector.
The G20 will continue its focus on engagement with the private sector, particularly given their critical role in filling the significant infrastructure gap. Maintaining close and direct discussion with stakeholders, will ensure the work of the G20 can address shared challenges in increasing infrastructure investment.