

MDBS JOINT DECLARATION OF ASPIRATIONS ON ACTIONS TO SUPPORT INFRASTRUCTURE INVESTMENT

Bridging the infrastructure gap is a critical component of the Addis Ababa Action Agenda. The objectives of the 2015 Paris Agreement on climate change cannot be reached without investment in sustainable infrastructure. Bridging the infrastructure gap is also a top priority of the G20 investment agenda under the Chinese presidency. The G20 Finance Ministers and Central Bank Governors have encouraged the Multilateral Development Banks (MDBs) to push forward joint actions to foster infrastructure investment, including formulating quantitative ambitions for high-quality projects, encouraging multipartite cooperation financing models, catalyzing private resources, fostering collaboration between new and existing MDBs, and strengthening project preparation to improve quality and bankability. An Infrastructure Investment Working Group (IIWG) seminar was held in Washington DC on April 13, 2016, to discuss how MDBs can deepen their collaboration in these areas. The topic was then tabled for discussion during the second meeting of the IIWG in Singapore on April 28, 2016.

Currently, the additional infrastructure investment needed in the developing world to meet the 2030 agenda for sustainable development is estimated to be \$1 trillion to \$1.5 trillion annually over the next 15 years. This is a capital requirement that cannot be met by public sources of finance alone. While the MDBs represent only a small percentage of the financing for infrastructure, they play a critical role in improving project design and structure in order to attract private capital. MDBs serve to lower transaction costs, risk and risk perception, and they support the institutional and legislative reforms needed to encourage the rule of law and ensure that projects are sustainable and welfare enhancing.

Quantitative ambitions for high-quality infrastructure projects

We, the MDBs, are determined to work together to scale up our infrastructure investment and attract private sector investment. Working with the private sector can bring additional technical expertise to improve the quality of infrastructure projects. Subject to client demand, as well as our respective approval criteria and institutional governance, we commit ourselves within our respective institutional mandates to respond to the infrastructure needs of our client countries as follows:

- The **African Development Bank Group's (AfDBG)** ambitions for infrastructure lending from all windows for both public and private sectors are \$7.3 billion in 2016, \$9.5 billion in 2017, and \$6.0 billion in 2018.
- Based on the projected pipeline for 2016-2020, the **Asian Development Bank (ADB)** expects to allocate about \$70 billion of its own resources to finance infrastructure development, which represents roughly 70 percent of ADB's total anticipated lending during this period.
- The **Asian Infrastructure Investment Bank (AIIB)** targets include financing of up to \$1.2 billion fiscal year 2016, \$2.5 billion in 2017, and \$3.5 billion in 2018.
- The **Development Bank of Latin America (CAF)** approved long-term financing for infrastructure and social development projects for a total of \$4.7 billion in 2015. CAF expects to continue to grow its commitment to these sectors by 3-7 percent annually.
- The **European Bank for Reconstruction and Development's (EBRD)** infrastructure investments totalled \$4.9 billion in 2015. In line with its Strategy Implementation Plan 2016-2018, EBRD

investment levels are expected to rise by up to 20 percent over the planning period, compared with planned investment for 2015.

- The **European Investment Bank (EIB)**, in line with the 2016 to 2018 business orientations as approved by the Bank's governing bodies and based on its historical lending programs, expects to finance strategic economic, environmental, and social infrastructure projects for an amount of between \$40 billion to \$50 billion (EUR 35 to 45 billion) annually in the coming three years, which is the equivalent of 50-60 percent of the EIB's annual lending.
- Based on historical and planned lending, the **Inter-American Development Bank Group (IDBG)** expects to be able to respond to client demand with lending levels of 30 to 50 percent of total lending in the infrastructure sectors of energy, transport, water and sanitation, and ICT, with an additional 5 to 10 percent in social infrastructure of health and education.
- The **Islamic Development Bank Group (IsDBG)** expects to finance between \$15 and \$16 billion during fiscal years 2016-2018 in economic and social infrastructure (energy, transport, water, ICT, education and health), which is equivalent to \$5 to \$5.3 billion annually or 90 percent of its project financing.
- The **New Development Bank (NDB)** is expected to commit between \$1.5 billion and \$2 billion in fiscal year 2016, between \$2 billion and \$2.5 billion in 2017, and between \$4 billion and \$5 billion in 2018. In line with its mandate, the NDB will provide these resources for infrastructure and sustainable development projects in BRICS and other emerging economies and developing countries.
- Based on historical and planned lending, the **World Bank** expects to be able to respond to client demand with lending levels of 30 to 50 percent of total lending in the infrastructure sectors of energy, transport, water and sanitation, and ICT, with an additional 5 to 10 percent in social infrastructure of health and education.

The International Finance Corporation (IFC) has committed total long-term finance to private sector core infrastructure projects in the amount of \$5.5 billion in FY15, and to health and education in the amount of \$1 billion. These numbers include external resources mobilized by IFC. Subject to government demand, market conditions, and private sector sponsors, IFC aspires to achieve 5-10 percent annual growth in its infrastructure program in FY17 to FY19.

Further, to maximize the quality of our infrastructure investments, we commit ourselves to include the following considerations in the design of our investments and the provision of our assistance:

- Economic efficiency throughout project life-cycles, as well as safety, climate change mitigation and adaptation, and resilience against natural disasters.
- Sustainable job creation
- Capacity building and transfer of expertise and know-how to local communities
- Social and environmental impacts
- Alignment of economic and development strategies at the national and regional levels
- Effective resource mobilization including through the use of PPPs

We, the MDBs, will also endeavor to improve the quality of the infrastructure projects we support by:

- introducing and promoting procurement systems that take account of value for money and quality of infrastructure, as well as timelines and effectiveness to implement projects;
- promoting green infrastructure;
- sharing good examples of high-quality projects with client countries; and
- monitoring the implementation and operation of projects.

Catalyzing private resources and strengthening project pipelines

The MDBs have a unique opportunity to build on past and current work to catalyze higher levels of private investment into developing country infrastructure. We need to adapt our investment strategies to a new financing environment combining public and private resources. Although infrastructure projects are not always suitable for private investment, we can help build planning capacity, enabling environments, and a pipeline of affordable, bankable projects that are sustainable and foster economic growth.

MDBs can work upstream to redefine risk allocation and reduce barriers to entry for private investors. They can collaborate with countries and project promoters, both public and private, to support the development of pipelines of good projects and provide advisory services and policy support for implementation of and the 2030 Agenda for Sustainable Development. Specifically, with donor support, we, the MDBs, will:

- Scale up our collective actions to enhance the quality of project preparation for emerging markets and developing countries. Platforms such as the World Bank/MDB Global Infrastructure Facility, IFC's Infra ventures and Public-Private Infrastructure Advisory Facility (PPIAF), the African Development Bank's infrastructure project preparation support through the Africa 50 Infrastructure Fund, the Asian Development Bank's Asia Pacific Project Preparation Facility, the Inter-American Development Bank's *Infra Fund* Project Preparation Facility, the EBRD's Infrastructure Project Preparation Facility, and the wide range of facilities managed by EIB—including JASPERS (Joint Assistance to Support Projects in European Regions) co-sponsored with the European Commission (EC) and EBRD, EPEC (European PPP Expertise Centre), and the Southern Neighbors Advisory Programme for Transport (SNAP-T) co-funded with the EC—are critical to increase the supply of bankable projects and support broader policy reform for the regions on which they are focused. MDBs will also work closely with bilateral donors and regional development banks in the preparation of quality infrastructure projects.
- Continue to work with the Global Infrastructure Hub (GIH) and other interested parties in compilation of baseline investor documentation, targeting of capacity gaps, sharing of good practice, addressing data gaps that matter to investors, and enhancement of project pipeline information. For instance, the World Bank's Report on Recommended PPP Contractual Provisions and the GIH's Leading Practice on Annotated PPP Risk Allocation Matrices are useful baseline documents.
- Assist client countries in translating their SDG and climate-related objectives within their Nationally Determined Contributions (NDCs) into meaningful and realistic investment strategies, plans, and pipelines of bankable sustainable infrastructure investment projects and programs.
- Study and support the development of principles underpinning the legal and dispute-resolution framework for infrastructure projects to improve the enforceability of properly structured contracts and contribute to an enabling environment for private investors in cross-border projects.

MDBs are engaged in downstream work to develop instruments that catalyze greater participation by institutional investors, who represent more than \$3 trillion of assets in emerging markets. Private investors require a sufficient risk-adjusted return, and MDBs can help address a number of risk elements.

- MDBs will explore new initiatives to mitigate risks, including political, regulatory, and foreign exchange risks. Such solutions include partial risk guarantees, credit enhancements, green bonds,

increasing local currency financing, and the development of infrastructure investment as an asset class.

- MDBs will continue to focus on opening new markets by providing viability gap financing and blend financing—a combination of concessional and market-based funds—especially in low-income countries.

The MDBs' efforts to crowd in greater levels of private sector investment via co-financing, mobilization, and catalyzation mechanisms are central to their mandates. In this regard, the on-going work of the MDB Task Force on Measuring Private Investment Catalyzation will contribute to this goal, with a first joint proposal to be discussed by MDB Heads during the Annual Meetings of the IMF/World Bank Group. This task force will develop a joint framework and methodology to measure private investment catalyzed by the MDBs and will report on MDBs' contributions to catalyzing private investment for a range of development priorities, including climate change and infrastructure.

We, the MDBs, intend, within our respective mandates and governance structures, to ensure that our actions on low-income countries, fragile states, landlocked countries, small-island economies and to ensure that the infrastructure projects we support foster economic growth and have a transformational impact on the most vulnerable populations.

Strengthening multipartite cooperation efforts and collaboration among existing and new MDBs

One critical role for the MDBs is to continue to collaborate in the development and dissemination of knowledge through cross-MDB working groups, including institutionalized fora, such as the Infrastructure Forum that took place in Washington DC on April 16, 2016. The Forum was co-hosted by the MDS in partnership with UN agencies and other development partners and culminated in a Chairman's Statement that committed the MDBs to Improving data and information on infrastructure, promoting compatible, efficient approaches, strengthening project preparation, and promoting financing for infrastructure; and regular meetings of the Heads of the MDBs, recently expanded to include the Islamic Development Bank as well as the newly created Asian Infrastructure Investment Bank and the New Development Bank.

The existing MDBs have been assisting the new multilateral institutions to accelerate the launch of their operations. On April 13, 2016, the World Bank and the Asian Infrastructure Investment Bank signed an agreement that outlines the co-financing parameters of World Bank-AIIB investment projects. In 2016, the AIIB expects to approve up to \$1.2 billion in co-financing with World Bank, ADB and EBRD and also stand-alone projects. The World Bank and the AIIB are currently discussing a number of co-financed projects in transport, water and energy in Central Asia, South Asia and East Asia. On May 2, 2016 ADB and AIIB entered into a memorandum of understanding to strengthen cooperation, including co-financing, at the strategic and technical levels. ADB and AIIB are actively discussing projects for co-financing in the road and water sectors. On May 11, 2016, EBRD and AIIB signed an agreement to promote greater levels of infrastructure investment, with a focus on both private sector investment and commercialised public sector projects. A first EBRD-AIIB co-financing project for the Tajik road sector is slated for signature in late June 2016. On June 2nd, the EIB and AIIB signed a Memorandum of Understanding expressing their intention to closely cooperate in areas of mutual interest exploring possibilities to co-finance projects. The NDB is also discussing cooperation agreements with some of the existing MDBs, including the World Bank, ADB and CAF.

Going forward, the MDBs will work to

- **Identify bottlenecks that hinder greater levels of private and public sector infrastructure investment.** The global demand-supply gap of infrastructure investment is a serious bottleneck to the growth of a number of emerging and developing economies. Against this backdrop, our efforts to foster high-quality infrastructure investment will include:
 1. Identifying legal and regulatory barriers that hamper the bankability of projects
 2. Supporting governments to prioritize their infrastructure projects based on economic impact and national and regional strategic development objectives
 3. Feasibility studies including risk absorption capacity in order to identify appropriate means of implementation
 4. Identifying appropriate financing instruments to maximize the contribution of the private sector where appropriate
 5. Making MDBs' documentation and procedures more compatible and efficient for infrastructure projects to provide comparable information to private investors
 6. Focusing on sharing knowledge, capacity building, and the dissemination of lessons learned of the MDBs in coordination with the G20's GIH to improve the collection and quality of data, information management, and aggregation.

- **Incorporate the new MDBs.** The rapid incorporation of the new MDBs in a coordinated and collaborative fashion will allow them to contribute to their maximum potential for the benefit of global infrastructure investment. While important progress has been achieved, this pace will have to be maintained. In addition, the new MDBs will need to contribute to the scaling up of the preparation efforts already underway.

- **Work with countries to foster the emergence of disclosure standards and transparent mechanisms for infrastructure.** We will engage with users, communities, and the public at large to ensure broad ownership and the sustainability of projects.