

Statement

by Heads of G20 financial institutions with a development or public mandate, approved as outcome of the international conference

”Improving the Financing of Sustainable Growth: The Role of D20 Institutions”

Jointly organized and hosted by

European Investment Bank and Cassa Depositi e Prestiti

Rome, 4th July 2014

At their second informal meeting, which took place in Rome on July 4th 2014, the Heads of G20 financial institutions with a development or public mandate (“The D20”) discussed their role in helping address the global challenge of achieving green and sustainable growth. They particularly focused on the importance of attracting private long-term finance to infrastructure and SMEs to use the scarce public resources in the most effective way and to enhance the D20 catalytic role. They also emphasised the synergies that could result from closer cooperation between the D20 and the Multilateral Development Banks in a common efforts to support growth and employment.

The D20 is a group of diverse financial institutions, which however share a common mission to support the converging public policy objectives of the members of the G20, their respective shareholders.

- In that context, the D20 support the high level of priority put by the G20 under the Presidency of Australia on the development of infrastructure and SMEs as a key driver of growth and employment. Indeed, despite recent improvements in growth forecasts for advanced economies, many countries still face important challenges and the overall forecast is still subject to significant uncertainty. Support for infrastructure investment and the long-term finance it requires should therefore remain a key priority. A wider access to finance to SMEs has also been partially impaired by the crisis, therefore appropriate measures, including more market oriented initiatives, are key. Financial innovation based on electronic platforms and guaranty funds can help to promote this goal.

Within their respective mandates and means, the D20 reaffirm their commitment to support the development and financing of infrastructure projects. They intend to further enhance their cooperation with other public agencies, notably with the Multilateral Development Banks. The latter have a significant role to play not only in financing but also in providing policy advice, sharing knowledge and promoting capacity building. Given their size, their role and their considerable experience in

infrastructure finance, MDBs can contribute to set standards and provide leadership working in close cooperation with Member States and National Public Banks. Individually and as a group, the D20 bring substantial lending capacity, linkages to the financial sector and capital markets and experience and knowledge about local institutional and regulatory conditions. Working together, the Multilateral Banks and the members of the D20 offer considerable financing and expertise and can thus have a strong capacity and impact in supporting the priorities set by the G20. A reinforced collaboration between MDBs and D20 is therefore supported as a means to further exploit synergies and help international operations

- However, the infrastructure and long term financing needs are on such a scale that bilateral, regional and multilateral financial institutions with a development or public mandate can only make a difference on the necessary scale if they succeed in attracting the private sector and manage to harness the power of capital markets. Eventually, the objective should be to develop infrastructure investment into a well-defined “asset class” with distinct regulation, in order to allow both domestic and international institutional investors to allocate to it a larger share of their portfolios. In this sense, providing stable long term sources of funding and incentive to institutional investors remains a priority. This will require developing and using innovative approaches and instruments (including carefully regulated and designed asset-backed securities or private equity fund vehicles targeting infrastructure) to mitigate risks and leverage private flows in support of public policy objectives. MDBs can provide specific contributions through technical assistance and financing of Project Preparation and Financial Structuring and other instruments such as partial credit guarantees and equity. Standardisation of instruments and definitions, increased information and transparency about investment plans and credit performances, harmonized approaches to assess development impact, and, where possible, convergence of regulatory and legal frameworks can play an important role. The latter implies support from regulators and governments so as to establish the appropriate favourable environment to support more efficient Long-Term investments. In addition, concessional financing provided/mobilized by MDBs can be used to enhance feasibility of infrastructure investment and promote private investments. The Heads of the D20 acknowledge that they have a complex and challenging task ahead of them, but they commit to work together in order to make progress and maximise their impact. They are also available to advise governments sharing their technical experience and market knowledge to facilitate the process. In particular, D20 representatives’ participation in relevant G20 working groups together with Member States would contribute to the development of proposals at an early stage.
- While fully recognising the existence of a large investment gap, the Heads of the D20 are also cognizant of the need to ensure that the support is given to truly productive infrastructure that will contribute to economic growth, job creation, inclusive access to service by lower income populations, and an improvement in

people's lives. The economics of any infrastructure project needs to be fundamentally sound and fully justified. In that respect, improving the quality of the investment selection, evaluation and preparation is an essential ingredient, which will need commitment from governments and will require adequate public funding.

- By the same token, the Heads of the D20 acknowledge that recourse to PPPs can often be an attractive way of meeting infrastructure needs and should therefore be promoted, particularly in a fiscally constrained environment. However, certain conditions need to be met to make PPP model more effective by ensuring proper cost/benefit analysis. The D20 banks can provide useful insight and expertise to enhance this model. In particular, the importance of setting appropriate standards and work-out appropriate modalities elaborating solutions to technical problems has been acknowledged as fundamental to attract investors: this is relevant for PPPs but also, more generally, for long-term investments.
- With these important caveats in mind, the Heads of the D20 are convinced that working closely with the G20 as a group would ensure that policies decided at G20 level can be implemented at best. The D20 goal, in cooperation with MDBs, to move beyond traditional long-term lending and reinforce their catalytic role for commercial financing on a larger scale and thus provide a necessary bridge between governments, projects sponsors and capital markets. Finally, thanks to their reputation and high technical skills they can have an important and growing role as “anchor investors”, i.e. supporting market participants in attracting investments into the financing of infrastructure and SMEs from the capital markets, in particular from long term institutional investors.

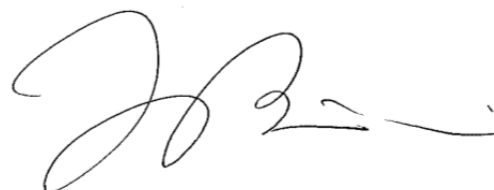
Given the relevance of D20 institutions in supporting economic growth in G20 countries and their role in implementing G20 policies, the D20 institutions believe that they should be collectively represented in the G20 working groups, primarily – in G20 Infrastructure and Investment Working Group (IIWG).

The third D20 conference of the heads of the G20 financial institutions with a development or public mandate will be organised in 2015 by TSKB (Industrial Development Bank of Turkey) during the Turkish G20 Presidency.

Werner Hoyer
President
European Investment Bank



Franco Bassanini
President
Cassa di Risparmio di Roma



Annex:

List of participating institutions to the 2nd D20 conference in Rome, 4 July 2014

Bank of Investment and Foreign Trade (BICE), Argentina

Banco Nacional de Desenvolvimento Econômico e Social (BNDES), Brazil

Caisse de dépôts et placement du Québec (CDPQ), Canada

China Development Bank (CDB), China

Caisse des Dépôts et Consignations (CDC), France

Kreditanstalt für Wiederaufbau (KfW), Germany

Export-Import Bank of India (Exim Bank), India

Indonesia Eximbank, Indonesia

Cassa depositi e prestiti (CDP), Italy - organizer

European Investment Bank (EIB), European Union - organizer

Development Bank of Japan (DBJ), Japan

Japan Bank for International Cooperation (JBIC), Japan

Korea Development Bank, Korea

Banco Nacional de Comercio Exterior (BANCOMEXT), Mexico

Vnesheconombank (VEB) - State Corporation Bank for Development and Foreign

Economic Affairs, Russia

Saudi Fund for Development (SFD), Saudi Arabia

Development Bank of Southern Africa (DBSA), South Africa

Türkiye Sınai Kalkınma Bankası (TSKB) - Industrial Development Bank of Turkey, Turkey