



**GLOBAL
INFRASTRUCTURE
FORUM 2018**

13 OCTOBER, BALI, INDONESIA

#2018GIForum

SESSION BRIEFS



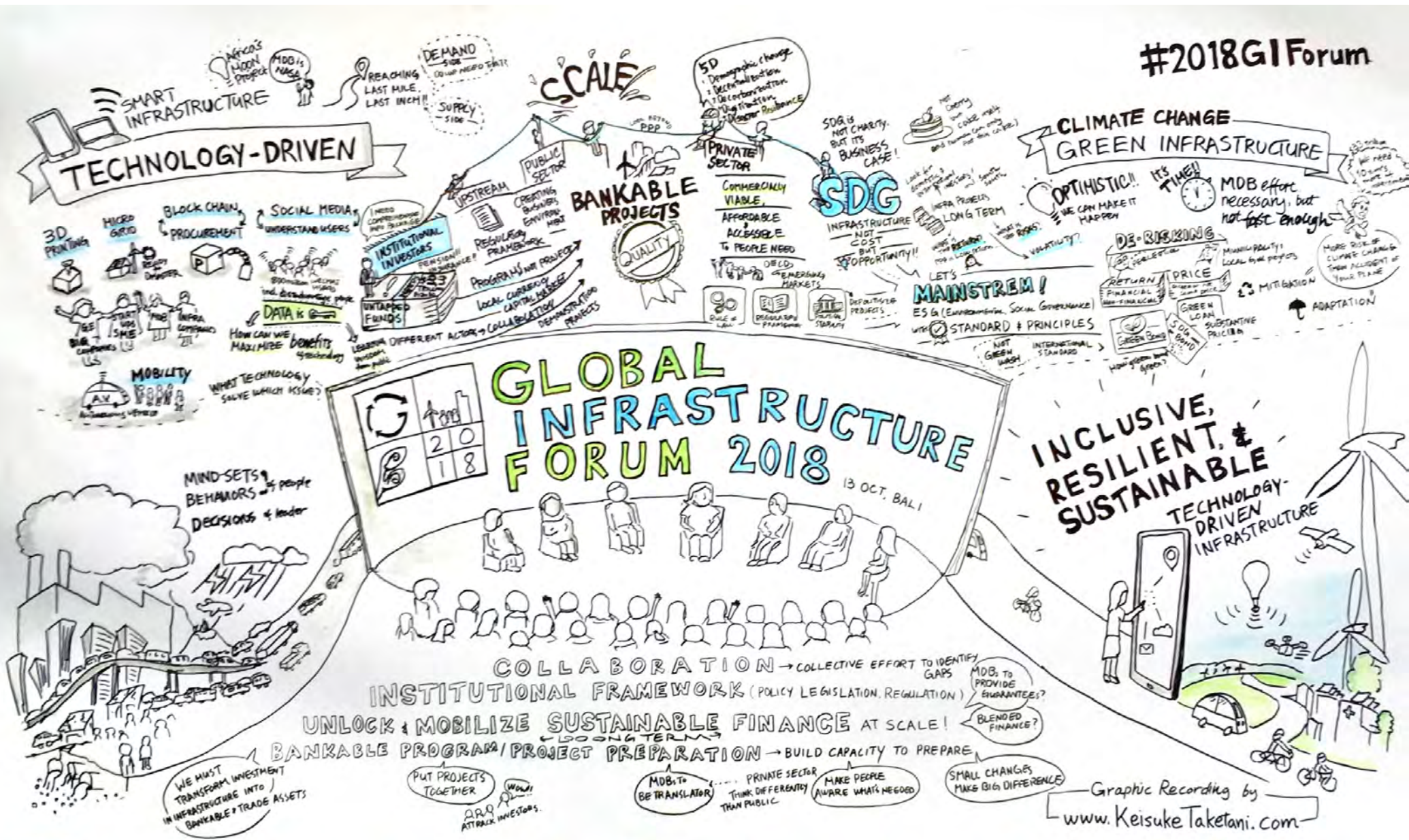
UNLOCKING INCLUSIVE, RESILIENT, AND SUSTAINABLE TECHNOLOGY-DRIVEN INFRASTRUCTURE

The 2018 Global Infrastructure Forum (GI Forum), the third since its establishment as part of the Addis Ababa Action Agenda on Sustainable Development Goals in 2015, built on the previous forums. Its goal is to bridge the infrastructure gap by improving alignment and coordination among multilateral development banks and their partners to facilitate implementation of sustainable, accessible, and resilient infrastructure for developing countries.

Under the 2018 GI Forum's overarching theme, "Unlocking Inclusive, Resilient, and Sustainable Technology-Driven Infrastructure", the opening session discussions set the stage for four sessions chaired by the multilateral development banks and the United Nations, organized in collaboration with public and private sector partners.

For this global event, heads of multilateral development banks and the United Nations, high-level government officials and business leaders participated as panelists in the opening session. A global audience from the public and private sector attended.

This 2018 forum was hosted by ADB and held in the Laguna Villas in Bali, Indonesia on October 13, 2018. Asian Development Bank hosted the GI Forum on behalf of all the Multilateral Development Banks (African Development Bank, Asian Infrastructure Investment Bank, European Bank for Reconstruction and Development, European Investment Bank, Inter-American Development Bank, Islamic Development Bank, New Development Bank, and the World Bank Group) and in close partnership with the United Nations.



Agenda

October 13, 2018

07:00 – 08:30	Registration
08:30 – 09:00	Forum Welcome Ingrid van Wees, Vice President for Finance and Risk Management, Asian Development Bank (ADB)
	Keynote Address His Excellency Jusuf Kalla, Vice President of the Republic of Indonesia
09:00 – 10:00	Opening Session A: Sustainable Infrastructure through Technology
10:00 – 11:00	Opening Session B: The MDBs – Catalyzing Private Finance
11:00 – 11:30	Coffee Break
11:30 – 12:30	Session 2: Achieving the Last Mile through Technology
12:30 – 13:30	Lunch Break
13:30 – 14:30	Session 3: Good Practices in Scaling Up Investments in Infrastructure: Sustainability and Governance
14:30 – 15:30	Session 4: Financing the Global Infrastructure Gap – Development and Innovation in Financing Modalities for Sustainable Infrastructure and De-risking
15:30 – 16:00	Coffee Break
16:00 – 17:00	Session 5: Innovative Climate Finance for Sustainable Infrastructure
17:00 – 17:30	Closing Remarks Bambang Susantono, Vice President for Knowledge Management and Sustainable Development, ADB
	Suahasil Nazara, Head of the Ministry of Finance’s Fiscal Policy Agency, the Republic of Indonesia
17:30 –	Cocktail reception



Forum Welcome

**Ingrid van Wees,
Vice President for Finance
and Risk Management,
Asian Development Bank**

UNLOCKING INCLUSIVE, RESILIENT, AND SUSTAINABLE TECHNOLOGY-DRIVEN INFRASTRUCTURE



Keynote Address

His Excellency Jusuf Kalla,
Vice President of the
Republic of Indonesia



Opening Session A: Sustainable Infrastructure through Technology

Digital and other technological innovations are driving dramatic changes in the planning, construction, and maintenance of sustainable infrastructure in countries around the world, developed and developing. The revolution in technology offers profound opportunity for overcoming long-standing challenges in building the infrastructure developing countries need to thrive in the 21st century. From innovations in blockchain, 3D printing, big data analytics, and the like, technology is making it simpler and more cost-effective to build and operate the infrastructure needed to keep economies humming. With new technologies, however, come new challenges.

Moderator:

Sharanjit Leyl,
BBC Singapore

Panelists:

Takehiko Nakao,
President, Asian Development Bank

Suma Chakrabarti,
President, European Bank for Reconstruction and Development

Werner Hoyer,
President, European Investment Bank

Eriko Asai,
President and Chief Executive Officer, GE Japan

Luis Alberto Moreno,
President, Inter-American Development Bank

Xian Zhu,
Vice President Chief Operations Officer, New Development Bank

Emma Sri Martini,
President Director, PT Sarana Multi Infrastruktur, Indonesia

Kristalina Georgieva,
Chief Executive Officer, World Bank Group

Highlights:

The moderator opened the session asking whether technology can achieve infrastructure that is not only cost effective and give good enough investment returns so that it can attract the private sector, but that is also sustainable, inclusive, and resilient.

The panel noted that clients at the country level of development banks emphasize technology. They ask for “smart cities, smart agriculture, and so on, and that all depends on having smart energy, smart transport.” They are interested in learning just how they can leap frog into that “smart future.” Top of mind for them is the digital economy and therefore digital infrastructure.

All of these call for smart infrastructure, which depends on educated people. The need to invest in education came up repeatedly at the Forum. And investing in people, human capital, is therefore crucial in gaining the higher skills needed to handle the demands of the new technologies.

The panel raised the important role for the multilateral development banks (MDBs) in attracting private sector investments. One of the MDBs is concentrating on one element of scaling up solar technologies, batteries and storage, and is investing heavily to overcome some of the challenges.

Other panelists developed that idea and stressed the need to crowd-in private sector players, for which the role of the development banks is clearly important, including by providing such things as concessional loans or de-risking instruments. The role of the MDBs is therefore important to ease the way for the private sector to get involved.

The panel recognized that it is difficult to make potentially bankable projects into fully bankable ones and thus tap the potential of the private sector. Many areas need attention, including policy, regulation, and others. The panel echoed a view, heard at intervals throughout the conference, that the development banks

need to differentiate commercially viable from non-viable projects and leave the former for the private sector.

New technologies, including big data and real-time information, can be harnessed to improve technological efficiency in areas such as transportation. The potential offered by blockchain technologies was mentioned several times in the Forum, for example. This panel highlighted the need for innovative instruments to reduce the investment risks typically involved in big infrastructure projects. If you create a good environment with better regulation you can reduce foreign exchange risks and start to raise the trillions of dollars that are needed for infrastructure to get built.

Meanwhile, the panel turned its focus onto the trends in society in deciding what areas to be involved in. In this, some use what are called the 5d factors in sustainable development: Demographic change, Decentralization, Decarbonization, Digitization, and Disaster resilience. Using these principles, for example, the private sector is investing in additive technologies using 3D metal printers, renewable energy in the most efficient manner, and in community-based micro power grids. In disasters, these can help a city cut off the main grid to operate in emergencies.

So clearly in gaining the interest of the private sector, it is important that the multilateral development banks focus on commercial viability, as said, “zeroing” in on what works and what makes “economic sense”. The panelists made the important point that working toward the Sustainable Development Goals projects and programs should not be seen as a charity, but more as economically interesting possibilities, adding that leap-frog development only works using the right technologies.

Offering a green perspective in the discussion, a significant theme in GI Forum 2018, the panel insisted that what is really needed is green sector strategies and mainstreaming them through the “lens of the green economy”. In this, the development institutions need to have investment structures that have been tried in the

private sector.

So clearly, to accomplish sustainable, resilient infrastructure, the development institutions need to do things in more interesting ways using more advanced technologies and creative solutions. An advanced approach to projects is needed and those projects should be replicable. Innovation is occurring very quickly and the proliferation of startups in developing Asia that are providing novel solutions to infrastructure development is testament to the desire in the private sector to support these goals.

The panel echoed a view, heard at intervals throughout the conference, that the development banks need to differentiate commercially viable from non-commercially viable projects and leave the former for the private sector.



Opening Session B: The MDBs – Catalyzing Private Finance

By any measure, the world is facing a substantial infrastructure spending deficit (in Asia alone, ADB estimates a climate-adjusted funding requirement of \$1.7 trillion a year to fill the deficit) and government and international development institutions cannot fill it alone. Closing this gap will therefore require a massive further mobilization of private resources. The session looked at ways the multilateral development banks can “crowd in” greater private finance. This includes direct and indirect mobilization of private sector finance from commercial lenders and institutional investors such as insurance companies, pension funds, infrastructure funds, and sovereign wealth funds, among others.

Moderator:

Sharanjit Leyl,
BBC Singapore

Panelists:

Celestin Monga,
Vice President, African Development Bank

Joachim von Amsberg,
Vice President - Policy and Strategy,
Asian Infrastructure Investment Bank

Julie Monaco,
Global Head of Public Sector, Managing Director, Citi

Philippe Le Houerou,
Chief Executive Officer, International Finance Corporation

Zamir Iqbal,
Vice President, Finance (Chief Financial Officer),
Islamic Development Bank

Joanne Spillane,
Executive Director and Global Head of Private Capital Markets,

Macquarie Capital
Honorable Bambang P.S. Brodjonegoro, Alternate Governor for the
Republic of Indonesia in ADB, Minister of National Development
Planning and Chair of BAPPENAS

Highlights:

The session began by noting that if countries could resolve some of the massive infrastructure deficit it would go a long way to solving much of the globe's economic problems. A recent World Bank study shows that if tariffs in all countries are reduced to zero it would add \$400 billion a year to global gross domestic product. But if we could reduce two of the big bottlenecks in the global supply chain (transport and communications) and reduce them half way to the global best practice, which is Singapore, it would increase global GDP by 6 times.

The panel noted that authorities should also focus on improving weak legal and regulatory frameworks. Panelists pointed to the paradox in the simultaneous huge need for new infrastructure and repair of existing infrastructure and the huge pool of funds that could be available. But those funds in search of strong investments are not flowing toward viable projects in sufficient quantity. The issues behind that paradox can be divided into three categories: policy issues, project preparation, and finance.

The GI Forum has effectively brought together the different actors, presenting the many angles of those categories, needed to help get viable projects into the works. This is a change from other conferences featuring uniform players. Instead, the GI Forum has attracted a diverse collective of bankers, engineers, consultants, lawyers, development professionals, investment bankers and other financiers, and private sector professionals operating in the most exciting new technology areas.

The panel also signaled that, often, the infrastructure gap is not a financing issue. The money is out there. Rather, the gap is about bankable projects. One factor in this is learning better how to dissect and distribute risk to the parties that can best handle it. Project preparation and financial engineering has also improved. The MDBs play a critical role in coming up with the right process in project preparation, panelists pointing in particular to its best-practice toolkit.

The MDBs should focus on developing project programs that lead to multiple-project scalability, rather than on single, standalone projects. This will help attract private investors looking for long-term, viable, and clearly defined investment programs.

The panel also took up the need for leaving commercial projects entirely for the private sector again, and the non-commercial for the public, especially in that too often the private sector is crowded out. For example, rural roads are very important in many countries and the private sector will never be able to do those. So as the panel put it, “let’s have the scarce public funds go for non-commercially viable infrastructure that are critical.” And for the private sector “a good project finds money.”

It is nonetheless difficult to generate bankable infrastructure projects. Legislative and regulatory hurdles and frameworks are in place that leave the public and the private sectors unclear about who does what.

Another point from the panel is that commercial infrastructure income should be in local currency and the need is great to find local currency solutions, which means developing the capital markets.

Taking a different perspective in prioritizing projects, the panel noted that some institutions are committed to resilient economic systems, and if the choice is between 2 projects, but one is more inclusive and resilient, that project should get first priority.

Several private sector participants stressed the important role for the multilateral development banks in creating new infrastructure. On this panel, too, it was noted that the MDBs’ standing in the private sector should not be underestimated, bringing credibility to projects that makes it easier for the private sector to invest. The MDBs, in evaluating and structuring projects, using their expertise and local and government connections, instruments such as first-loss capital protections, credit enhancements, and the like, ease

the process. As an example, the panel pointed to ADB’s support for the Philippines PPP Center as thriving and very helpful. The MDBs can pave the way by providing leadership capital to bring in institutional capital, noted the panel.

The panel signaled that, often, the infrastructure gap is not a financing issue. The money is out there. Rather, the gap is about bankable projects. One factor in this is learning better how to dissect and distribute risk to the parties that can best handle it.



Session 2:

Achieving the Last Mile through Technology

Many poor or disadvantaged people in developing economies lack access to basic infrastructure. Products and services providing essential value either do not reach the intended customers, are more expensive, or of lower quality than products accessible by other populations. Last-mile challenges can be overcome with new technologies, such as digital.

Moderator:

Thomas Maier,

Special Advisor on Infrastructure, European Bank for Reconstruction and Development

Introductory remarks:

Sarquis Jose Buainain Sarquis,

Vice President for Economic Research, Risk, and Strategy and Partnerships, New Development Bank

Panelists:

Wale Shonibare,

Director, Energy Financial Solutions, Policy and Regulation, African Development Bank

Thierry Deau,

Founding Partner and Chief Executive Officer, Meridiam Fund

Catherine Workman,

Partner, Pinset Masons

Jiang Yang,

Founder and Program Lead of PinStreet, Deputy director of China Sustainable Transportation Center, and Co-founder and CEO, Beijing CityDNA Technology Ltd.

Highlights:

The focus of the discussion was on the last mile of the infrastructure services supply chain. Cost is estimated in many services to be nearly 30% of all costs. The last mile is about urban mobility and affordability is a key problem in many countries. Technologies in the last mile can reduce utility costs or even generate the service in the first place.

It was noted in the session that the African Development Bank has significant ambitions in Africa: 600 million are without access to electricity, and it targets to achieve universal access by 2025. This means 200 million new connections by 2025, 75 million of them off-grid. To reach that last mile, an example of a transaction in Cote D'Ivoire was provided in which the development bank did a first securitization of receivables from the payments for solar home systems. In it, the development bank was able to get a local bank involved in local currency. It guaranteed the local bank to be able to procure the receivables from the developer. And that meant that developers were able to recycle capital and provide more. As an example: conventional grid systems cost \$2,500 per head per connection and the people that are being connected in rural areas are unable to pay. Mini-grids are able to connect at \$500 to \$1,000 dollars per head, and through mobile technologies, default rates can be reduced and one is able to pay off according to consumption. The African Development Bank assists the policy framework to allow this to flourish and these companies to become successful.

Technology can help improve project preparation and procurement, which for now are a bottleneck for developing bankable projects. Blockchain technology, for example, could become the next "e-government step". That is, using blockchain platforms to better procure infrastructure projects and the public-private partnership schemes. This would give investors more comfort in getting into projects.

Another significant issue in last-mile technology is the credit profile of small and medium-sized enterprises. The need for standardization of a product, such as off-grid kits associated with projects, was also mentioned as a challenge. And the need to actually bundle the projects so that you can scale them up to deploy enough units in multiple countries to bring them to levels of profitability that will attract investors. All of these issues make last mile technology “a little bit more exciting”, in the panel’s opinion.

Involvement with the SME sector also creates legal challenges in that you cannot have bespoke contracts for thousands of SMEs and you cannot have expensive documentation that would make it impossible for them to become involved. Yet, you need to be sure not to dissuade SMEs, because they will put forward society-changing solutions. The panel noted that governments are looking at ways to simplify contracts. But what is really needed is a massive mindset change to make that happen.

Digitalization technologies also featured in the panel discussion. These have made it possible for social media to become part of everyday lives and to be better connected. So talking about the last-mile problem, it is really a matter of how to best match supply with demand. Data technologies have progressed significantly to help better understand user demands, the panel noted.

For example, some 800 million Chinese people use the social media service WeChat. Using the app, users can pin opinions on a map about urban services—whether they want a sidewalk or bike lane, or foot bridge, for example—and they can pin the location and attach a photo. This message, or data, when accumulated for some time, can significantly benefit urban planning.

More disadvantaged people are joining the social media world and by better monitoring their needs through social media, including helping them learn how to use social media, their opinions about services can be better reflected.

Technology can help improve project preparation and procurement, which for now are a bottleneck for developing bankable projects. Blockchain technology, for example, could become the next “e-government step”.



Session 3:

Good Practices in Scaling Up Investments in Infrastructure: Sustainability and Governance

Sustainability in infrastructure includes economic and financial, social, and environmental elements. Institutional arrangements and good governance are key to ensure these elements in infrastructure projects. Good governance in infrastructure can include: consistency of infrastructure plans with national development strategies aligned with international commitments; effective environmental and social management systems; and integrity and transparency, including in procurement and clear accountability frameworks, project monitoring, and tracking that generates, analyzes, and discloses useful information for stakeholders.

Moderator:**Amar Bhattacharya,**

Senior Fellow, Brookings Institution

Panelists:**Rana Ghorayeb,**Senior Vice President, Investment, Infrastructure,
Caisse de dépôt et placement du Québec**Jay Collins,**

Vice Chairman, Global Public Sector Group, Citibank

Clemente Del Valle,

President, Financiera de Desarrollo Nacional, Colombia

Helga Birgden,

Principal and Head of Responsible Investment Business, Mercer

Jordan Schwartz,

Director, Infrastructure, PPPs, and Guarantees, World Bank Group

Highlights:

The session opened up with a look at how things have changed among the MDBs in just the last few years to embed the need for sustainability practices—environmental, social, and governance—at the earliest stages and throughout the project cycle. They have turned a corner in this area.

There has been a lot of focus on enhancing sustainability and a lot of work done shows that to get that you need to focus on upstream technology and institutional foundations. Most organizations have teams of experts to address and embed each of the issues of environmental sustainability, land acquisition, resettlement, and social impact from the outset of a project. And legal and regulatory specialists participate every step of the way. This is the curve in the road to sustainability. It is like a systems-level approach to structure things so that the infrastructure that emerges from projects will last 15, 20 years. If this was not done from the outset, assets would only need to be rebuilt down the road.

Recent experience in Colombia illustrates some of this, with lessons emerging from the 4G road project evidence of the role that partnerships between governments and development banks can play in unlocking urgently needed infrastructure financing.

The projects bring two important elements in how you convert good ideas into projects that deliver on them. One is good frameworks. Colombia spent 5 years putting together a good framework. This includes a good PPP legal structure. And it was important, the panel said, to focus on creating a program of projects, not only transactions, thus creating stabilized bankable transactions. Throughout the conference, institutional investors pinpointed this issue as critical to offering their support in infrastructure projects.

In addition to creating strong frameworks, strengthening the institutions, Colombia, in partnership with the International Finance Corp., created the La Financiera de Desarrollo Nacional, or FDN,

a financial institution that catalyzes investment in Colombian infrastructure and addresses market failures that undercut optimal infrastructure financing. The clear objective was to be a mobilizer and a catalyzer (of private sector capital). This meant mobilizing the bulk of capital from other investors, not the government.

Colombia had to lead the way and elevate the standards, including environmental. That allowed bond issuance, infrastructure debt funds, and attracting sound finance asset managers who attracted pension money, and other innovations that allowed the country to significantly multiply the investment it could bring to its road infrastructure program.

One tool identified in the session for better project preparation that can help governments in emerging economies is SOURCE, an online project preparation and data management platform. It allows mapping of key issues from project definition to implementation, providing public sector project teams with best practices, guidance and capacity support as well as data and project management tools. Through such tools, the public sector can better understand what the private sector is looking for, helping to unlock its potential. SOURCE will bring about standardization about how projects are presented.

Pension funds in the advanced countries around the world control trillions of dollars in investment capital and they are all chasing investments that can meet their strict environment, social, and governance standards. Such funds are actively involved in the investments they are making, sitting on boards and committees for infrastructure projects, and setting strict targets for portfolios in meeting environment standards, particularly carbon-footprint goals in relation to climate change.

When looking to invest, institutional investors look at rule of law and its enforceability. Whether a robust legal system is in place, and economic and political stability. They then look for quality assets that can deliver returns over a long term, the panel said, noting that concessions can have terms as long as 99 years.

The discussions also turned to the issue of governance and what is involved when it breaks down, such as in the now infamous Odebrecht scandal, which took down prominent government officials around Latin America.

Among the most salient points, the panel noted the promise offered in new technologies for controlling corruption. “We can absolutely bring a bright spotlight into the darkroom of corruption applying the technologies that exist today,” it was noted. These can be as basic as whistle-blower technologies to high-end artificial intelligence algorithm that can search data for anomalies that can point to corrupt practices. The panel stressed the need to move away from use of paper, manual, and cash transactions and emphasized the importance of continuing the monitoring of projects throughout the phases, not only the initial due diligence before financing is approved.

When looking to invest, institutional investors look at rule of law and its enforceability. Whether a robust legal system is in place, and economic and political stability.

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Moderator



Morgan J. Lanby,
Senior Director,
Global Infrastructure
& Natural Resources,
International Finance
Corporation



Remy Rioux,
Chief Executive Officer of
Agence Française de
Développement, Chairman
of the International
Development Finance Club



Sebastian Kind,
Undersecretary of
Renewable Energy,
Government of
Argentina



Nadir Maruf, Chief
Investment Officer,
Eastspring
Investments



Marjut Santoni,
Secretary General,
European
Investment Bank



Sujoy
Execu
Nationa
and Int
Fun



Session 4: Financing the Global Infrastructure Gap - Development and Innovation in Financing Modalities for Sustainable Infrastructure and De-risking

Plunging costs for wind and solar or natural gas are making energy affordable with easier access and with fewer negative impacts. This has widespread repercussions for energy markets and for transport and will change how people use roads, public transport, parking, and where businesses and people locate.

Moderator:

Morgan J. Landy,

Senior Director, Global Infrastructure & Natural Resources,
International Finance Corporation

Panelists:

Rémy Rioux,

Chief Executive Officer of Agence Française de Développement,
Chairman of the International Development Finance Club

Sebastian Kind,

Undersecretary of Renewable Energy, Government of Argentina

Nadir Maruf,

Chief Investment Officer, Eastspring Investments

Marjut Santoni,

Secretary General, European Investment Bank

Sujoy Bose,

Chief Executive Officer, National Investment and
Infrastructure Fund of India

Discussant:

Joachim von Amsberg,

Vice President - Policy and Strategy,
Asian Infrastructure Investment Bank

Highlights:

The session moderator opened by asking what will be the appropriate role for public versus private players and finance in infrastructure? Is the problem in closing the infrastructure gap an issue of money or lack of projects? How can we get pension funds to move into projects? How to finance the gap?

The session began with a look at de-risking and a description of the success of Argentina's RenovAr, an innovative renewable energy bidding program. It moved quickly to put in place proper regulation and to ensure that its projects were bankable. It now has 86 projects under construction, mainly wind and solar, and about \$5 billion flowing from all over the world to invest in this sector in Argentina, using guarantees and other instruments in conjunction with support from the multilateral development banks to overcome the hindrance of the country's below-investment-grade rating. The panel noted that it has been receiving investment grade value in auction for projects.

When talking about the infrastructure financing gap—which starts with the pipeline of projects and then standardization and procurement processes—it is really about private sector readiness to step in. By engaging with institutions around the world, it is possible to extend the reach (of investors) by working through strategic alliances and offering a degree of credit enhancement and first-loss-style protection that allows them to finance projects, such as renewable energy in Latin America, that otherwise would be geographically or financially off limits. So, projects, in addition to bankability and deliverability, should also include investability in their considerations.

Looking at infrastructure in Europe, the panel noted that, because so much existing infrastructure needs a substantial upgrading, that the investment gap is indeed huge. The panel also insisted on three issues: creation of a pipeline of bankable projects, on data, and on de-risking and new instruments. The example of the European Fund for Strategic Investment is a significant support in this area, with

more than 20 billion euros in backing for de-risking instruments such as guarantees, to overcome market failure by addressing market gaps and mobilizing private investment for infrastructure, research and innovation, education, renewable energy, and energy efficiency, as well as risk finance for small and medium-sized enterprises.

The panel pointed out that emerging market economies are also resorting to strategic investment funds, such as the National Investment and Infrastructure Fund of India. The country launched an ambitious infrastructure program that aims to build 170 gigawatts of additional energy by 2022, 20 million homes in the next five years, and to significantly expand air transport capacity in Mumbai and Delhi. One of the first things you need to “crowd in” capital is “world class governance that investors understand.” Second you need arms-length management from the government. And finally, good project preparation. With such factors in place, government and their infrastructure programs can begin to target the \$100 trillion in sovereign and pension funds that are very interested in a well-defined infrastructure asset class, but often fail to find suitable investments.

Returning the discussion to the development banks, the panel called for these institutions to begin discussing going beyond official development assistance, which is insufficient for the task at hand. A larger concept, mobilizing behind and beyond the Sustainable Development Goals, is needed, inviting in private sector and public sector, emerging actors, and traditional actors, creating a sort of “sustainable development investment” that will complement ODA.

The panel discussed the main obstacles hindering closure of the infrastructure gap: 3 big bucket issues that need to be addressed. A government policy and regulation bucket, and in this the panel heard about the Argentine approach for addressing that. There is the project preparation bucket, and the panel heard about the India pipeline and EIB’s work. And finally, the financing bucket, and

the panel heard about credit enhancement, project bonds, and scalability through funds. Action in each of these can help fill the infrastructure gap.

The panel discussed the main obstacles hindering closure of the infrastructure gap: 3 big bucket issues that need to be addressed. The government policy and regulation bucket, the project preparation bucket, and the financing bucket.

Finance Co such as SwissRe or
the municipal risks in Indonesia? Alan

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Moderator



Cristina Tonkin,
Managing Director, Loan
Specialized Finance
ANZ

ing be tiered to benefit the
his social impact dimension has



Session 5: Innovative Climate Finance for Sustainable Infrastructure

Sustainable infrastructure is fundamental to sustainable and inclusive growth and an engine for competitiveness. Delivering sustainable infrastructure, at the heart of the Addis Ababa Action Agenda, the Sustainable Development Goals, and the Paris Climate Agreement and mobilizing climate resilient finance in far greater volumes is crucial.

Moderator:**Sean Kidney,**

Chief Executive Officer, Climate Bond Initiative

Panelists:**Christina Tonkin,**

Managing Director, Loans and Specialized Finance, ANZ

Amadou Thierno Diallo,

Director of Global Practices, Economic and Social Infrastructure, Islamic Development Bank

Ephyro Amatong,

Commissioner, Securities and Exchange Commission, Philippines

Veronica Scotti,

Chairperson Global Partnerships, Swiss Reinsurance

Elliot Harris,Assistant Secretary-General for Economic Development,
Chief Economist, United Nations**Highlights:**

The panel opened by stressing a significant point in the Forum, which is the obvious underutilization of capital available to fill the vast need for sustainable infrastructure, yet that the knowledge already exists for connecting those trillions of dollars with well-designed projects that are attractive to the institutional investors who control the vast sums of money. To unlock this by 2030 we need to transform investments in infrastructure into something that is a fully bankable asset class. The latest estimates of the infrastructure gap globally put it at \$3.3 trillion annually, yet only a fraction, \$350 billion, is available for investment.

The panel noted that green finance is now becoming quite mainstream and in some organizations is among the faster growing revenue lines. It is seen not as a cost but as an opportunity. What really triggers activity (in the private sector) is when you can penetrate the minds on boards and corporations and show them how they can benefit—that is, when the chief financial officers and treasurers start seeing benefits to their core responsibilities generated by “green” corporate financial behaviour then you start to get interest. Climate finance has begun to become a central point of meetings and of central risk committees and the entry point of discussion. Green loans, too, are giving companies a pricing benefit.

Regulators can also contribute to green finance through encouraging regulatory standards, noted another of the panelists. The Association of Southeast Asian Nations, for example, has put together the ASEAN green bond standards, in November 2017, based on 10 jurisdictions in its region, which has already begun to bear fruit to help tap some of the “wall of green money” mentioned earlier in the day. The sense coming from asset managers and banks at the Forum differed significantly from that of corporate decision makers who are still asking it is worth it to issue green bonds. So the level of interest and appreciation differs and awareness must therefore be “mainstreamed”.

In all of this, the role of catalyzing finance is very important. We have to look at infrastructure finance as the global asset class of the future. And the elements for embedding it as such are already being formed. And the multilateral development banks can be platforms for acceleration. “For the residual elements of risk that still exist today, they can be a wonderful interface between the public and the private sectors. The MDBs are the perfect translator.”

Observers have spent a lot of time trying to understand why the vast available investment capital is not flowing into sustainable investment. Everywhere there is the refrain it is the absence of the bankable projects. That is the major concern. Investment officials in the likes of New York and London, for example, had both declared that they could not find projects for suitable investment. “So if you can’t find investment there, then we face a much larger challenge in developing countries.” The capacity to present projects that are interesting and investable is not there.

It was also signaled that the size of the average infrastructure project in the developing world is so small that it cannot attract large scale international finance. It is just not possible for financiers to go out and do the due diligence that is necessary. So it is a double challenge. And infrastructure projects need to be formulated in a way that accounts for the risk concerns of the private investor, generate a return that is interesting, and at the same time can be pooled in a way that can achieve scale that can attract external capital. Those are challenges that we really have not learned how to address. So money flows to some markets, but not to others. If that keeps happening, the financing gap will widen to the point where we cannot close it. Closing it means, among other things, building technical capacity in places that lack that knowledge for creating suitable projects, and in pooling of projects to minimum scale that is investable.

The panel noted that green finance is now becoming quite mainstream and in some organizations is among the faster growing revenue lines. It is seen not as a cost but as an opportunity.



Closing Remarks

**Suahasil Nazara,
Head of the Ministry of
Finance's Fiscal Policy Agency,
the Republic of Indonesia**



Closing Remarks

**Bambang Susantono,
Vice President for Knowledge Management
and Sustainable Development,
Asian Development Bank**

