

# GIF ADVISORY COUNCIL MEETING

Growth and Transition: Mobilizing Private Capital for the Next Decade of Infrastructure Project Development | December 9, 2021

## EVENT SUMMARY

On December 9, 2021, the Global Infrastructure Facility (GIF) virtually held its twelfth Advisory Council (AC) Meeting, with more than 100 participants in attendance, including private sector financiers and investors from the GIF's Advisory Partner network, representatives of multilateral development banks (MDBs), donor governments, and other observers. The meeting, "Growth and Transition: Mobilizing Private Capital for the Next Decade of Infrastructure Project Development," was chaired<sup>1</sup> by **Daniel Zelikow** (Global Co-Head, Infrastructure Finance & Advisory, and Global Head, Public Sector, JP Morgan). **Please find a high-level summary of the event below.**

## Introductory Remarks & Keynote on the Global Infrastructure Outlook

### Speakers

- **Jason Lu**, Head, GIF
- **Dan Zelikow**, Global Co-Head, Infrastructure Finance & Advisory, and Global Head, Public Sector, J.P. Morgan
- **Riccardo Puliti**, Vice President, Infrastructure Practice Group, World Bank

**Jason Lu** opened the meeting by welcoming all Advisory Council Partners, as well as the new GIF Advisory Council Co-Chair, **Daniel Zelikow**.

In his opening speech, **Daniel Zelikow** highlighted the importance of infrastructure as a tool identified by both the public and private sectors to stimulate economic growth and boost productivity. Zelikow highlighted that emerging markets and developing economies' (EMDE) significant infrastructure gaps are largely attributed to a lack of a consistent and reliable project pipeline, and not availability of funding. He affirmed the GIF as an effective and efficient platform to overcome this challenge through its high private capital mobilization potential and catalytic role of technical advisory.<sup>2</sup> Zelikow voiced his support for the GIF's post-pilot phase based on its successful track record and welcomes the upcoming downstream financing window (DFW) for innovative financial products that will be complementary to existing offerings by MDBs for private capital mobilization.

**Riccardo Puliti** provided opening remarks as the keynote speaker on the global infrastructure outlook in which he gave an overview of the impact of the pandemic on the infrastructure sector and how investment trend has since shifted within key infrastructure sub-sectors. Puliti noted that while the transport sector was most severely affected due to lockdowns and decreased volumes of passengers and cargo, an emergence of social infrastructure assets was observed globally in the

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<sup>1</sup> The GIF AC is co-chaired by Mari Pangestu (Managing Director of Development Policy & Partnerships, World Bank). Due to scheduling conflicts, she was unable to provide opening remarks.

<sup>2</sup> In November 2021, GIF's current and former AC Co-Chairs joined together to write an [open letter of support for the GIF](#) to the global infrastructure finance community.

same period. This uptick is attributed to governments, MDBs, and development finance institutions (DFIs) diverting financial resources to the immediate needs of health care and supply chains over the past 18 months. The World Bank also made this a priority and has deployed over \$157 billion to fight the pandemic's health, economic, and social impacts over the last 15 months. Puliti also highlighted the importance of climate, resilience, and social sustainability in infrastructure and second, the growing role of mobilizing private capital for sustainable project development. He affirmed the World Bank's commitment to stand ready to support the transition to net zero and emphasized the GIF's role in connecting the climate change agenda with private capital mobilization through promoting pipelines of bankable, sustainable infrastructure projects.

## Co-Chair Fireside Chat

### Speakers

- **Daniel Zelikow**, Global Co-Head, Infrastructure Finance & Advisory, and Global Head, Public Sector, J.P. Morgan
- **Imad Fakhoury**, Global Director, Infrastructure Finance, PPPs & Guarantees Global Practice, Infrastructure Practice Group, World Bank
- **Jason Lu**, Head, Global Infrastructure Facility

Moderated by **Daniel Zelikow**, the **first segment of the fireside chat focused on the GIF's accomplishments** to date, both from a project preparation and partnership perspective. **Jason Lu** noted that, as of end-November 2021, the GIF has supported 121 project activities that are expected to mobilize nearly \$76 billion in total investment, of which nearly \$52 billion is expected to be from the private sector. In terms of project closings, Lu highlighted that 12 GIF-supported projects have reached commercial or financial close, mobilizing \$3.8 billion in private investment. Lu also covered FY21 achievements, which are highlighted in the GIF's [2021 Annual Highlights](#) report. In terms of partnerships, Lu emphasized the importance of collaboration with the AC, highlighting the [joint report](#) produced with Swiss Re (former AC co-chair) earlier this year focused on mobilizing institutional investor capital into EMDE infrastructure, as well as the GIF's leading role in a number of global initiatives such as the FAST-Infra SI Label and the Global Investors for Sustainable Development (GISD) alliance.

In the **second segment**, **Daniel Zelikow** asked **Imad Fakhoury** to reflect on **what has worked well for the GIF and areas where the GIF can improve**. In response, Fakhoury affirmed that the GIF has proven its business model for addressing bottlenecks to private capital mobilization in its pilot phase. Beyond project preparation, Lu added that the GIF's focus on developing knowledge products based on practical experiences. Specifically, he highlighted the GIF's development of action-oriented toolkits focused on integrating gender considerations and promoting climate mitigation and adaptation in infrastructure project preparation. A similar toolkit focused on integrating Infratech considerations into project preparation is also underway. Fakhoury also noted how the GIF has forged strong partnerships in the ecosystem, citing the GIF's membership with the [Climate Finance Leadership Initiative](#), [FAST-Infra](#), and collaborations with its Advisory Council (AC) and MDB Technical Partners to deliver sustainable infrastructure solutions in EMDEs.

On areas where GIF can do more, Fakhoury advised the GIF to continue building a strong pipeline of projects; bring more projects to closing; diversify Technical Partners that implement projects, and; expand GIF's activity in geographic areas or sectors. Fakhoury also noted that the GIF should continue to work with MDB Technical Partners to identify opportunities to promote programmatic approaches, incorporating standardization to enable scaling-up of successful models. Raising the

GIF's profile and attracting new donors to achieve its vision for scaling-up would be another area of focus.

Finally, **Daniel Zelikow** asked both **Jason Lu and Imad Fakhoury** to ***delve into the GIF's expansion plans and how it seeks to put donor funding to work.*** Fakhoury explained that the GIF's expansion plans have focused on addressing the dearth of investment opportunities & 'shovel ready' projects at scale due to lack of capacity to prepare projects that are attractive to the private sector. He elaborated that the GIF intends to expand both at the upstream and downstream sides. By providing upstream support, the GIF will assist its Technical Partners and governments to plan, prioritize, define, and bring more bankable projects to market. Downstream, the DFW will allow MDBs to offer more comprehensive solutions through complementary risk capital from the GIF, ultimately de-risking projects and attracting private sector mobilization at scale. Lu shared GIF's fundraising target according to its Post-Pilot Strategy and added that the DFW is aligned with the GIF's operation expansion plans to reinforce and further complement its project preparation work under the Upstream Advisory Window (UAW).

## **Session 1 | The Global Infrastructure Outlook - COVID-19's Impact on Project Pipeline**

### **Moderator**

- Angus Leslie Melville, **Editorial Director, IJGlobal**

### **Speakers**

- Keith Hennessey, **President, Bechtel Enterprises**
- Karen Fang, **Global Head of Sustainable Finance, Bank of America**
- Amar Bhattacharya, **Senior Fellow, Brookings Institution**

### **Key Takeaways**

- The renewable energy transition in a post-COVID environment not only requires increased investments in renewable energy innovations, but also creative solutions to enhance the resilience of existing brownfield assets.
- The private sector has an important role to play in working with governments to promote decarbonization pathways - achieved through increased public-private collaboration at the earliest stages of the infrastructure lifecycle, as well as through partnership initiatives that align diverse stakeholders around shared sustainability objectives.
- Digital infrastructure will be critical to the renewable energy transition through its potential to promote efficiency gains of existing and prospective infrastructure assets. Accessibility of such digital solutions will be key for inclusive growth.

Moderated by **Angus Leslie Melville, Editorial Director, IJGlobal**, the session delved into the impacts of COVID-19 on infrastructure development and the global economy, as well as market trends, opportunities, and challenges in a post-pandemic world.

**Keith Hennessey, President, Bechtel**, provided the perspective of an infrastructure developer, noting that Bechtel Enterprises has responded to the renewable energy transition by working with clients to reduce the overall carbon footprint of current and prospective infrastructure assets. Specifically, Bechtel is supporting clients with large capital programs to integrate innovative

technologies in greenfield assets to reduce overall reliance on fossil fuels. While noting that heavy industrial clients face challenges in developing assets that are truly net zero, Hennessey pointed to examples of certain markets that have increased investments in sectors like green hydrogen, as well as energy storage, efficiency, and disposal.

**Karen Fang, Global Head of Sustainable Finance, Bank of America**, offered perspectives from the private sector on where the market is moving post-COVID. While the public sector, MDBs, and DFIs have helped to improve the enabling environment in key markets and sectors, increased engagement with the private sector will be critical in the push to net zero. On this point, Fang explained that the private sector is playing a big role in identifying innovative renewable energy solutions that are cheaper and more efficient than traditional fossil fuel, and should work hand-in-hand with governments to promote decarbonization pathways. While renewable energy should continue to be a focus, Fang also remarked that lenders should also invest in non-proven, cutting-edge industries, such as energy storage, green hydrogen, and geothermal solutions. On this last point, Fang cited an example from Bank of America's engagement in the Caribbean, where it has invested in innovative renewable energy that incorporate artificial intelligence and other tech-enabled storage solutions. Such a model can be replicated in other EMDEs.

**Amar Bhattacharya, Senior Fellow, Brookings Institution**, commented on how he sees the energy transition evolving post-COVID. In terms of the COVID-19 pandemic, Bhattacharya considers it a "divergent recovery" in which EMDEs are recovering at a very different pace in comparison to the rest of the world and will require approximately \$800 billion by 2025 for recovery and an additional \$2 trillion by 2030. Bhattacharya pointed to two key elements that can help promote the renewable energy transition and a sustainable post-COVID-19 recovery. First, he cited the concept of "Country Platforms" as a practical, country-based approach that can catalyze private capital to support sustainable infrastructure solutions. Second, Bhattacharya raise the importance of "private sector collaborations" focused on climate and sustainable infrastructure as a critical strategy to crowd-in finance to support the renewable energy transition. Global initiatives like the Climate Finance Leadership Initiative (CFLI), FAST-Infra, and GISSD will help align the right set of stakeholders and channel more investments into EMDEs.

Each of the panelists also commented on the increasingly important role of digital infrastructure in a post-COVID environment. **Keith Hennessey** noted that digital infrastructure—particularly artificial intelligence and "smart" infrastructure—will help to optimize assets and promote operational efficiencies. **Amar Bhattacharya** emphasized that digital infrastructure will be critical for economic recovery in EMDEs, and that, as a fundamental starting point, such infrastructure should be accessible to everyone. Promoting access to digital infrastructure will require increased cooperation between the public and private sector. Echoing Bhattacharya, **Karen Fang** noted the importance of "digital inclusion" as foundational in the delivery of digital infrastructure and that digital infrastructure should be developed hand-in-hand with renewable energy projects to promote resilient solutions.

## Session Two | Blended Finance Market Innovation

### Moderator

- **Pranab Ghosh**, Principal Investment Officer, Blended Finance, IFC

### Speakers

- **Emmanuelle Nasse-Bridier**, Head of The Urban Resilience Initiative, Meridiam
- **Vito Dellerba**, Director, Sovereign Debt, Fixed Income, CDPQ
- **Juan Echeverri**, Senior Infrastructure Finance Specialist, Global Infrastructure Facility

### **Key Takeaways**

- There exist key constraints to mobilizing private capital at scale, including perceptions of risks in emerging markets, lack of sovereign creditworthiness, foreign exchange risk, and lack of resources and local expertise.
- Blended finance mechanisms, such as first loss guarantees and co-investments, can provide de-risked investment opportunities to crowd-in private capital at scale.
- The effectiveness of blended finance solutions rests on multi-stakeholder partnerships and complementarity with upstream project preparation and capacity-building.

**Pranab Ghosh, Principal Investment Officer for Blended Finance, IFC** moderated the session focused on the strategic use of development finance as a crucial element for scaling up private capital towards a green recovery in EMDEs.

**Emmanuelle Nasse-Bridier, Head of The Urban Resilience Initiative, Meridiam** answered the questions from the perspective of a leading long-term investor, developer, and manager of infrastructure. She explained that Meridiam focuses on sustainable infrastructure in EMDEs, with a portfolio primarily focused on greenfield projects in Africa. She outlined the constraints specific to each of the players involved in this market: firstly, the perception of risk in EMDEs, noting that in cities, this perception is even more accentuated due to the lack of creditworthiness, and blended finance solutions can provide risk-sharing mechanisms to answer this challenge in an efficient manner. Secondly, the lack of predictable and viable pipeline of projects is a key constraint, in association with the perceived lack of resources and local expertise. Blended finance can bring together resources and human expertise from private sector, public sector, DFIs, municipalities, and contractors to enhance this technical expertise.

**Vito Dellerba, Director of Sovereign Debt, Fixed Income, CDPQ** noted that the first challenge to deploying private capital in EMDEs is the risk-return profile. Secondly, counterparts in EMDEs have low institutional capacity to transact over-the-counter transactions with onerous requirements with institutional investors. Thirdly, there is an issue of scale because CDPQ has a large fixed-income book and looks for an average investment size of \$200-400 million, and few such transactions exist in EMDEs. Fourthly, there is an issue of market accessibility, where the tightness of the regulatory environment has increased origination costs for CDPQ. Lastly, there is an issue of credit risk: EMDEs are inherently high-yield, and credit risk increases as you move further away from the sovereign. He highlighted that blended finance platforms can offer solutions to manage these risks appropriately, and given scarce concessional finance resources, opportunities lie in fixed income and debt.

**Juan Echeverri, Senior Infrastructure Finance Specialist, Global Infrastructure Facility** took the MDB perspective and discussed their role in promoting the deployment of private sector capital at scale. He underlined that the MDB's various roles in mobilization of private capital for infrastructure projects should be separated: one on side, there is the upstream space, project preparation, capacity building, and feasibility that usually lies on the public sector side and where GIF has done a significant amount of work to date; on the other, there is the private sector interacting directly with investors, guaranteeing or co-investing with them. He emphasized that when looking at

infrastructure, MDBs are now starting to focus more on local currency and capital markets, slowly shifting approach to adapt to market needs such as blended finance innovations where their role is essential. Echeverri added that there is no perfect model to catalyze mobilization given the size of the challenge and the gap between return and risk appetite from the institutional investors' perspectives. He said that MDBs could concentrate on blended finance structures that have a focus not just on mobilization, but also on value creation.

### **Session Three | Mobilizing Private Capital Through Country Platforms**

#### **Moderator**

- **Jameela Pedicini**, Executive Director, Climate Finance Initiatives, Bloomberg LP

#### **Speakers**

- **Edwin Syaruzad**, Director, PT SMI
- **John Seed**, Head of Project Preparation & Implementation - Sustainable Infrastructure Group, EBRD
- **Alper Kilic**, Global Head of Project and Export Finance, Standard Chartered Bank

#### **Key Takeaways**

- Country platforms can play a key role in helping countries develop overarching strategies to meet infrastructure needs in a coordinated and sequential manner, rather than simply responding to unsolicited proposals and pressure from large players.
- Two key elements that can make country platform-type initiatives successful include leveraging established personal relationships and identifying and putting in place leadership that is acceptable to all stakeholders, with government buy-in considered critical.
- Financiers and MDBs understand that the challenge is too big to be tackled by one stakeholder, and that there is value in coming together to solve major bankability issues in a timely manner (i.e., before projects are already prepared and ready to come to market).

This session, moderated by **Jameela Pedicini, Executive Director, Climate Finance Initiatives, Bloomberg LP**, explored the role of Country Platforms, which has emerged as a multi-stakeholder collaboration effort to provide private capital mobilization support to unlock financing at scale for low-carbon, climate resilient solutions.

**Edwin Syaruzad, Director, PT SMI**, emphasized the importance of mainstreaming PPPs to mobilize private finance to scale infrastructure development, and that PT SMI was established to leverage the close connection with MDBs, government entities, and philanthropic organizations to enhance the quality and delivery of bankable projects. He highlighted how such collaboration under a Country Platform could accelerate private finance climate flows and how they can help Indonesia to meet low-carbon goals and go beyond their balance sheet. In response to questions around Indonesia's COP26 announcements and the move away from coal, he emphasized that the energy transition must be conducted in a just and equitable manner. Accordingly, project identification and prioritization that considers affordability and accessibility are key. To conclude, Syaruzad highlighted the need to explore more collaboration and access through international support, especially with regards to de-risking and first loss mechanisms in various forms.

**John Seed, Head of Project Preparation & Implementation - Sustainable Infrastructure Group, EBRD**, highlighted how Country Platforms could promote pipelines of bankable projects. First,

such platforms can help client countries identify their infrastructure needs and develop associated strategies to prioritize projects. Second, Country Platforms involve multiple stakeholders acting in coordination, which would allow them to have a much stronger impact. Seed highlighted the power of the MDBs, working with commercial banks to make projects more bankable, using the Turkish Hospitals PPP project and the Egypt Dry Ports program (currently on-going) as examples. Seed also stressed the need for global fora such as the G20 pushing this agenda, as this would elevate Country Platforms to the level of institutional investors. To conclude, he mentioned that the specific role for MDBs within Country Platforms would be to identify the core strengths of each MDB in a particular country. He also emphasized the need to continue working with the GIF given its unique role in convening the multiple stakeholders that make up the infrastructure space.

**Alper Kilic, Global Head of Project and Export Finance, Standard Chartered Bank**, mentioned the lack of coordination among government entities within a country as a major challenge where Country Platforms could play a role, as well as the extended timeframe it takes to get a project to market. He explained how liquidity is not the issue, as long as the right risk return equation is established for capital investors, citing Standard Chartered's experience supporting Indonesia through a Sukuk issuance, and that it is upon MDBs, financiers, and other stakeholders to develop the structures and mitigants to enable projects to meet infrastructure investment needs. He concluded with the importance of working together under the same objectives, with governments taking the lead with support from MDBs and DFIs to clearly communicate their strategic agenda, highlighting the importance of initiatives, such as CFLI in India and Indonesia.

### Closing Remarks

**Jason Lu** concluded the meeting by thanking the Advisory Council co-chairs, speakers, and participants for joining.

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Visit the GIF website at <https://www.globalinfrafacility.org/> and follow us on [LinkedIn](#).



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