



Indonesia's G20 Presidency Encourages Collaboration to Accelerate Post-Pandemic High-Quality and Sustainable Infrastructure Development

Jakarta, 26 May 2022 – Sustainable infrastructure investments plays an important role in boosting recovery and shaping a more inclusive economic growth in line with multilateral environmental and development goals. Yet, overlapping crises, the enduring pandemic, global inflation and tightening of monetary policies, geopolitical pressure, could slow down the process of global economic recovery. The issue of infrastructure development has become a particular focus of Indonesian G20 Presidency in 2022.

The G20 side-event seminar “*Assessing A Multilateral Road Map for Financing High Impact, Sustainable Infrastructure Projects In The G20*”, was organized jointly by the Ministry of Finance of Indonesia, the T20 and B20 engagement groups and the D20 Long term investors club.

Wempi Saputra, the G20 Finance Track Deputy, and Assistant Minister for trade, economy and international finance underlined that “new policy and investment solutions are necessary to respond to pressing, interconnected challenges, and the G20 is the right place to mobilize public and private investments for long term transformation.”

Febrio Kacaribu, Head of Fiscal Policy Agency, Ministry of Finance of Indonesia, said, “In accordance with this year's G20 Presidential theme “recover together, recover stronger”, Indonesia expects that this G20 Meeting can encourage world economic recovery and find solutions for an inclusive, resilient, and sustainable recovery. To achieve those goals, Indonesia has put six priorities agenda on the finance track that will be discussed through-out our Presidency in the G20. One of those priorities is sustainable finance. This priority is closely related to the infrastructure development that has always been a long-term goal to support the achievement an inclusive, sustainable and resilient growth. In times of the post-pandemic, infrastructure investment plays significant role in economic recovery”. Francesco Profumo, President, Fondazione Compagnia di San Paolo, and co-chair of T20 Indonesia infrastructure taskforce highlighted the complementarity between ministerial working groups and engagement groups in the G20 to create high quality dialogue and effectively implement decisions and new norms.

In the short term, investment in high-quality infrastructure can boost economic output by increasing construction activity and employment. It is a critical factor to support energy transition and harness the benefits of digitalization. In the longer term, infrastructure development can improve cross-border cooperation and local and regional competitiveness, whereas many global supply chains have been disrupted by the pandemic. The G20 Finance Ministers and Central Bank Governors' meeting in February 2022 reiterated the importance of supporting the agenda through financial policy. “Recovering together, recovering stronger will only be achieved through sound and good investment, and using the leverage of sustainable physical, social and digital infrastructure”, explained Febrio.

Coordination among G20 members is critical to signal investors that all countries are committed to promote a robust, innovative, cooperative infrastructure investment agenda. The deputy secretary general of OECD, Yoshiki Takeuchi, underlined that harmonized data collection is critical to support the development of environmental and sustainable governance and the vice-president of the European Investment Bank Gelsomina Vigliotti noted that combining public and private leverage was key to promote climate inclusion as fiscal space is growingly constrained, with subnational governments particularly exposed.

Prior to the pandemic, infrastructure investment was far below the levels needed to achieve the SDGs, which has only been exacerbated in the past two years. The pandemic served as a wake-up call to strengthen our efforts in addressing climate change in order to prevent future crises. The seminar gathered global experts from Fundacao G.Vargas in Brazil, Harvard Kennedy School of Government in the U.S., Beijing University in China, RIS in New Dehli, India and the Global Infrastructure Hub. They highlighted the need to connect global and local responses and supported the implementation of a new financial architecture and new partnership strategies. “Currently, it is estimated that around USD 6.3 trillion of infrastructure investment each year is needed to meet 2030 development goals and even increase to USD 6.9 trillion a year to achieve the Paris Agreement target. With such numbers, funding from tax revenues will not be sufficient to cover these expenditure needs,” added Febrio. Therefore, sources of funding from tax and non-tax revenues need to be combined with other financing scheme such as from multilateral financing and private investment. The government needs to find creative ways to finance infrastructure by attracting more private investors and closing the financing gap.

In Rome in September 2021, the B20, D20 and D20 adopted a joint statement on infrastructure investment to support recovery. In preparation of a new joint statement in 2022, Dario Scannapieco, the CEO of Cassa Depositi e Prestiti in Italy and a founding member of the D20, called on innovation to create a new generation of asset class and support a global effort in urban regeneration. Danang Parikesit the lead co-chair of T20 Infrastructure taskforce, warned that growing inequalities and poverty, knowledge gaps and information asymmetry would slow down the delivery of investment projects. Ridha Wirakusumah, Chair of the B20 Infrastructure taskforce and CEO of Indonesia Investment Authority, further encouraged to foster joint cooperation to “crack the code” and derisk infrastructure investments in a long-term perspective.

Development Finance Institutions, both domestic and multilateral institutions, such as ADB, WB, AIIB have crucial role in facilitating sustainable projects to be more bankable and investable through offering de-risking instruments and providing technical assistance during project preparation. This financial and capacity building support can provide confidence and attract institutional investors to fund sustainable infrastructure. Development finance institutions can also act as platforms to attract private capital and catalyze a wider private investment. They could offer blended finance schemes, credit enhancement mechanisms, and de-risking instruments such as viability gap funds and first-loss provisions. Those supports can increase incentives for investors and reduce their risk exposure.

“This seminar has brought together best practice from business, government, institutional investors and financing partners to share the views on addressing these issues. Together, we can increase new infrastructure investment, enhance economic recovery from the Covid-19 pandemic, and deliver climate action,” concluded Masyita Crystallin, Special Advisor to Minister of Finance on Macroeconomic and Fiscal Policy. This seminar was the continuation of the previous discussion session on "Post-Pandemic Infrastructure and Global Public Goods in the G20" in February 2022. It was organized with the Global Solutions Initiative (GSI) and Compania di San Paolo on the way to the G20 Finance Track Meeting in Bali, in July 2022.

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