Julia Tops, researcher with the G20 Research Group, assesses the G20’s commitments regarding infrastructure investment – an issue that has been revitalised by Argentina’s G20 presidency.

The issue of infrastructure for development has been revitalised by Argentina’s G20 presidency, which named it one of the priorities for the Buenos Aires Summit. Argentine president Mauricio Macri emphasised the mobilisation of private resources to reduce the infrastructure deficit. Directly connected to the priority of the future of work, infrastructure provides physical and digital access to citizens so they can capitalise on such economic opportunities. However, investment in infrastructure is lacking, especially with regards to vigorous growth and inclusivity. Thus, Argentina’s presidency emphasises the mobilisation of private investment to close the global infrastructure gap.

Funding infrastructure is not a new initiative of the G20. At the 2014 Brisbane Summit, leaders made 28 commitments on the topic.

High-quality projects
Leaders made eight commitments on infrastructure at the 2016 Hangzhou Summit, reaffirming their intention to promote investment in infrastructure in both quantity and quality. They also endorsed the Global Infrastructure Connectivity Alliance and the guidance produced by the G20 and the Organisation for Economic Co-operation and Development on diversifying financial instruments for infrastructure and small and medium-sized enterprises. They supported the quest of the multilateral development banks for high-quality infrastructure projects, too.

At the 2017 Hamburg Summit there were six commitments, which addressed the global infrastructure gap, sustainable, high-quality, resilient infrastructure development and improved financing.

The first infrastructure funding commitment tracked by the G20 Research Group was made at the 2014 Brisbane Summit on mobilising long-term financing for infrastructure. It incorporated qualifying features that, in order to receive full compliance from G20 members, required long-term financing from both private and public sources. Compliance averaged 97.5%, with all members fully complying except France, which partially complied.

However, Argentina’s emphasis on private-sector infrastructure funding is necessary to bridge the gap in infrastructure. The presidency’s suggestions to improve project preparation, address data gaps in financial performance, improve the instruments for funding infrastructure projects and seek greater homogeneity among them are promising for inclusive and expansive growth. Argentina is seeking $26.5 billion in private-public partnerships (PPPs) for infrastructure investment by 2022, as it must engage in austere measures while also needing further infrastructure for competitiveness. Infrastructure investment is suggested to rise by about 60% year-over-year, reaching around 3.5% of gross domestic product. The launch of the PPP programme in November 2017 set a precedent and serves as a model and starting point for discussion at the G20’s Buenos Aires Summit, including the use of private-sector funding to lessen the burden of public resources.
Capital supply
Private-sector investment, however, faces some challenges, especially regarding its capacity to be a natural supplier of capital. But the G20 has been successful in addressing infrastructure financing, so concerns about capital supply in this regard are exaggerated. The private sector is vital for continuous expansion, making infrastructure an asset class that channels capital into public infrastructure. For Buenos Aires to be a truly successful summit, it must also address public funding to prevent overreliance on the private sector. Sustainable funding is important, especially within high-risk, low-income states. The G20 should ensure that infrastructure proposals are financed in line with the Sustainable Development Goals, which seek to leave no one behind. G20 members in Argentina should promote PPPs alongside the investigation of the best sources and approaches to financing individual infrastructure projects and criteria for sustainable infrastructure that improves the standard of living.

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