

Article Information

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Global Infrastructure Hub - March update

Since our previous update in January 2015, further progress has been made in establishing the Global Infrastructure Hub. The race is on for the Hub to become operational in time to secure deliverables at the Leaders' Summit in Antalya, Turkey on 15-16 November 2015. Partner, Tania Zordan provides an update on the project's progress.

The Global Infrastructure Hub (the Hub) is designed to address current problems in investment in infrastructure arising from issues such as:

- gaps in infrastructure information
- global issues, such as regulation
- lack of time limits on approval processes
- lack of transparency.

The Hon Kelly O'Dwyer MP, Parliamentary Secretary to the Treasurer has responsibility for implementing the Australian Government's commitment to the Hub. The implementation team comprises Australian Treasury officials and Mr Robert Milliner (B20 Sherpa), as a consultant.

Website Launch

The website for the Hub was launched on 5 March 2015. At the launch Ms O'Dwyer confirmed, as outlined in our previous update, that the Hub will be a knowledge-sharing network with its four-year mandate from G20 Leaders tightly focussed on:

- developing a knowledge-sharing network to aggregate and share information on infrastructure projects and financing between governments, international organisations, development banks, national infrastructure institutions and the private sector
- addressing key data gaps that matter to investors and which impact the performance of infrastructure and result in a lack of cross country information
- prioritising, planning and approval of infrastructure projects. The Hub will focus on developing effective approaches to implement the voluntary G20 Leading Practices on Promoting and Prioritising Quality Investment including model documentation covering project identification, preparation and procurement and will work with countries to provide customised practices
- working with officials to improve institutional arrangements and building the capacity of government officials by sharing best practice approaches. It is envisaged that forums will be established to exchange experiences resulting in the establishment of peer to peer international relationships
- developing a consolidated database of infrastructure projects to match potential investors with projects so that participants can learn from each other's experiences. This should result in a more defined and liquid asset class and lower transaction costs.

The website can be found at www.globalinfrastructurehub.org.

Funding

The Hub will have an annual budget of around US\$10 million. The Australian Government will contribute A\$30 million until

2018. Additional contributions are expected from other governments, international organisations, development banks and the private sector.

To date, the United Kingdom, China, Saudi Arabia, New Zealand, the Republic of Korea, Mexico and Singapore have pledged financial contributions to the Hub. Details of this support are being finalised.

Structure

The Hub will act as a policy exchange which is open to G20 members and others. It will complement the existing work of Infrastructure Australia and other Australian state and territory bodies but is not intended to duplicate their work.

The location of the Hub in Sydney recognises the long history and depth of experience Sydney has in the infrastructure market with the address of the Sydney headquarters yet to be finalised.

The search for a CEO continues. An announcement of the CEO designate is expected at the 16-17 April G20 Finance Ministers and central Bank Governors meeting in Washington DC.

Further details of the international Board of seven directors have been announced. The Board will comprise a Chair appointed by the Australian Government, two independent directors and four directors representing advanced and emerging G20 economies. Turkey and China will be directors in 2015 in their capacity as current and future G20 Presidents, with the UK and Korea providing the additional G20 directors.

In the meantime, the implementation team will develop ideas for the Hub's business plan for the permanent Board and CEO to consider upon appointment.

It has also been announced that a strategic advisory council will be appointed to provide additional expertise to the Board and the CEO from multilateral and private sector representatives drawn from the G20. It is intended that the private sector will have direct input to the board via the website and the strategic advisory council, which will report directly to the Hub's board. The aim being to keep the Hub focused on maintaining a better interface with business.

The Hub will closely work with the G20 through strong representation on its board and make use of its opportunities to match investment dollars with projects and work towards addressing the shortfall in global infrastructure funding.

Working with the World Bank and the Global Infrastructure Facility

The World Bank intends to work closely with the Hub in its development. It is playing an important role in implementing the G20's Global Infrastructure Initiative. The Global Infrastructure Facility (Facility) was launched in Washington DC in October 2014.

PPPs address the World Bank Group's twin goals of eliminating extreme poverty and boosting shared prosperity by enhancing the reach and quality of the delivery of basic services.

The World Bank recognises the need for private investment in infrastructure as it is not able to close the gap in infrastructure funding alone. It is estimated that there are currently \$33 trillion in pension funds looking for investments which would be sufficient to close the gap in investment requirements for infrastructure PPPs.

The World Bank has reported that recent data shows a significant decline in investment in infrastructure including a 28% decline in the East Asia Pacific region. Its inquiries have identified numerous country specific issues as reasons for the decline in addition to the following:

- Poor project preparation.
- The absence of an infrastructure project pipeline. This has several negative effects, including a reluctance for contractors to submit tenders due to the lower chance of success resulting from increased competition. It also results in a concomitant loss of skills of contractors and others involved in the infrastructure industry.
- Negative public sentiment towards PPPs and a concern over excess profits. In particular, governments have not done a good job of explaining the need for, and benefits of, PPPs.
- There is still some tightness in the availability of traditional project finance.
- Misperception of risk. There is a lack of information in relation to particular countries.

The PPP group within the World Bank is proposing various initiatives to address this.

The Global Infrastructure Facility:

- is a platform designed to turn infrastructure development opportunities in the developing world into bankable

projects

- will provide end to end support for projects by enabling:
 - environment and project definition
 - project preparation and investment feasibility
 - transaction support
 - financial structuring and credit enhancement
- will work through the partnership structure with:
 - technical partners
 - advisory partners
- will initially work with pilot projects to trial this model.

The World Bank has developed a Prioritisation Tool which is intended to assist government in ranking infrastructure projects to determine which should be PPPs and which should be public works projects. The tool will assist governments in determining what they should take into account when looking at projects.

Projects will go through various filters to determine which meet particular national objectives considering:

- budget for feasibility studies
- qualitative ranking (filter 1)
- quantitative ranking (filter 2)

with each project then being ranked according to priority.

The filters are still being refined, but are designed to be a practical method for assessing projects objectively to allow for better use for public funds.

The World Bank will be working on this with the Hub to assist in determining which projects should be PPPs and which should public works.

If you would like further information on the Global Infrastructure Hub, please contact [Partner, Tania Zordan](#).