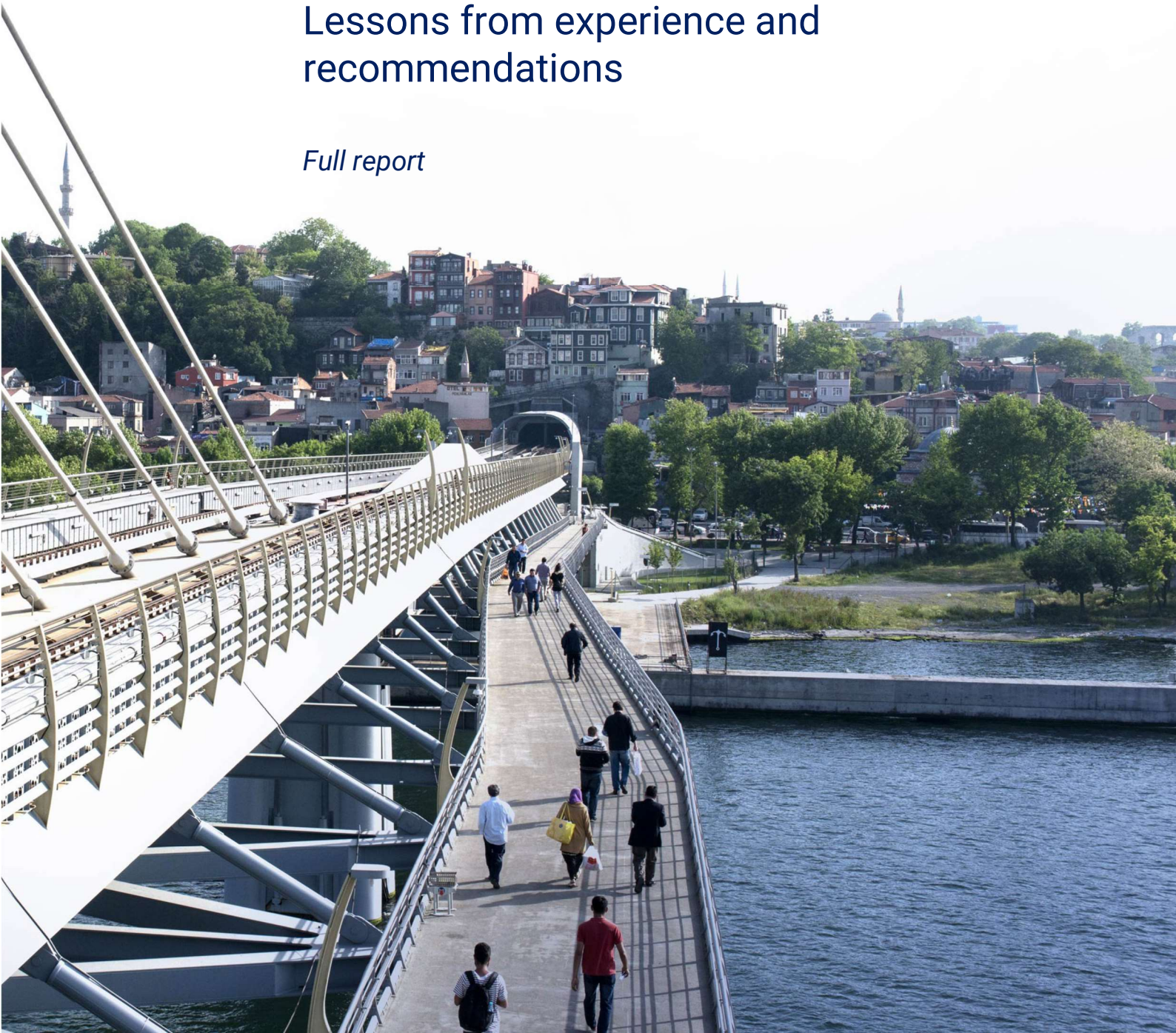
SUMMIT FOR
A NEW GLOBAL
FINANCING PACT

Increasing Investment in Sustainable Infrastructure in Emerging and Developing Markets

Lessons from experience and recommendations

Full report



From 8th March to 20th June, a Working Group has gathered senior representatives from 60 financial institutions to make concrete proposals and recommendations to increase investments in Sustainable Infrastructures in Emerging and Developing Countries.

Chaired by Mr. Remy Rioux, CEO of the Agence française de développement (AFD) and Chairman of the International Development Finance Club (IDFC) and the Finance in Common Summit (FiCS), and Mr Khadem AlRemeithi, Executive Director of the Infrastructure Department of the Abu Dhabi Investment Authority (ADIA), the Group has gathered the diversity of financial institutions: around 60 CEOs and Heads of International Organization, Public Development Banks, Sovereign Funds, Private investors and Banks and Philanthropist.

The present document summarizes the main outputs of the Working Group, based on the proposals made by the participants and additional inputs from the Co-Chairs. Each proposal and associated next steps are made for action and will require support from interested public and private institutions in the proposed timeline. Proposals which can find support rapidly are presented as Quick Wins at the NPF Summit. Proposals that can be achieved within the next 6 months could be presented at the COP28.

The views expressed in this document are those of the authors and do not necessarily reflect those of the organizers of the New Global Financing Pact Summit, nor AFD nor ADIA.

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Acronyms & abbreviations

ADEME	Agence de l'environnement et de la maîtrise de l'énergie
ADB	Asian Development Bank
ADFD	Abu Dhabi Fund for Development
AfDB	African Development Bank
AGIA	Alliance for Green Infrastructure in Africa
AIIB	Asian Infrastructure Investment Bank
ASIF	Africa Sovereign Investors Forum
BOAD	Banque Ouest Africaine de Développement
CAPEX	Capital expenditure
CBO	Community-based organizations
CCRI	Coalition for Climate Resilient Investment
CDC	Caisse des dépôts et consignations
CICLIA	Cities and Climate in Africa
CIF	Caribbean Investment Facility
CIFF	Childrens Investment Fund Foundation
DAC	Development Assistance Committee
DFI	Development finance institution
EBRD	European Bank for Reconstruction and Development
EIB	European Investment Bank
EMDC	Emerging market and developing countries
ES	Environmental and social
ESG	Environmental, social and governance
ETAF	Energy Transition Accelerator Financing
ETP	Energy Transition Partnership
ETTG	European Think Tanks Group
EU	European Union
FiCS	Finance in Common Summit
FONSIS	Fond Souverain d'Investissements Stratégiques
FPIC	Free, prior, and informed consent
GEAPP	Global Energy Alliance for People and Planet
GEM	Global Emerging Market Risk Database
GFANZ	Glasgow Financial Alliance for Net Zero
GHG	Greenhouse gas
GIF	Global Infrastructure Facility
GIH	Global Infrastructure Hub
GIZ	Gesellschaft für Internationale Zusammenarbeit

IBRD	International Bank for Reconstruction and development
IDB	InterAmerican Development Bank
IDFC	International Development Finance Club
ICT	Information and communications technology
IEA	International Energy Agency
IMF	International Monetary Fund
INFF	Integrated National Financing Frameworks
IPG	International Partner Group
IPP	Independent power producer
IRENA	International Renewable Energy Agency
JETP	Just Energy Transition Partnership
JICA	Japan International Cooperation Agency
KfW	Kreditanstalt für Wiederaufbau
KPI	Key performance indicators
MDB	Multilateral development bank
MIGA	Multilateral Investment Guarantee Agency
MYC	Mobilise Your City
NDB	National development bank
NDC	Nationally determined contributions
NGFS	Network for Greening the Financial System
NGO	Non-governmental organization
NIIP	National Infrastructure Investment Plans
O&M	Operation and maintenance
ODA	Official development assistance
OECD	Organisation for Economic Co-operation and Development
OPEX	Operational expenditure
OPSWF	One Planet Sovereign Wealth Funds
PBF	Policy-based financing
PEEB	Program for Energy Efficiency in Buildings
PIDA	Program for Infrastructure Development in Africa
PIDG	Private Infrastructure Development Group
PPA	Power purchase agreement
PPP	Public-private partnership
PV	Photovoltaic
REIPP	Renewable Energy Independent Power Program
SDG	Sustainable Development Goals
SECI	Solar Energy Corporation of India
SECO	Swiss Secretariat for Economic Affairs
SIDA	Swedish International Development Cooperation Agency

SIF	Sustainable Infrastructure Facility
SME	Small and medium-sized enterprises
WG3	Working Group Number 3
WB	World Bank

1. Sustainable infrastructure: a key to the SDGs

Since infrastructure is critical to reach SDGs and Paris Agreement objectives and can have adverse social and environmental effects if not properly managed, it must be developed in a sustainable and resilient manner. To do so, several challenges will have to be tackled, including catalyzing necessary funding, dealing with complex technical and E&S aspects, and involving multiple actors and scales.

Sustainable Infrastructure is crucial to achieving the Sustainable Development Goals (SDGs), which were adopted in 2015 by all Member States of the United Nations to end poverty, protect the planet, and improve the lives and prospects of everyone, everywhere by 2030. Being a set of technical and economic facilities and equipment necessary for providing communities with basic living conditions, infrastructures are essential drivers of climate and development discussions and objectives. All the SDGs are underpinned by infrastructure development: through systematic assessment of all 169 SDG targets, infrastructure systems have been shown to influence the achievement of all 17 SDGs, including up to 92 per cent of its targets[1]. This influence may be direct, through improving water accessibility (SDG 6), promoting renewable energy (SDG 7) or more generally enhancing infrastructure and innovation (SDG 9). It may also be indirect, in for example providing schools and facilities that enable the equitable attainment of quality learning and skills (SDG 4).[1] Furthermore, to make these outcomes gender-sensitive (SDG 5) requires additional considerations, including transportation that is equally convenient to all genders.

A large part of humanity still lacks access to basic development services (water and sanitation, energy, transport, housing, education, healthcare…) because of an investment deficit in accessible, affordable, resilient, well-designed, and adequately operated and maintained infrastructure. While an estimated four billion people live in areas that suffer from severe physical water scarcity for at least one month per year, it should be noted that about 1.6 billion people face "economic" water scarcity, which means that while water may be physically available, they lack the necessary infrastructure to access that water[2]. Approximately 790 million people live without electricity globally, 600 million of whom live in Sub-Saharan Africa, where 43% of the total population lacks access to electricity[3]. At current rates, some 660 million people will remain without electricity by 2030[4]. Infrastructure also plays an important role related to gender equality (SDG 5). For example, sanitation infrastructure is crucial in ensuring equal participation in economic and education opportunities. The World Bank estimates that at least 500 million women and girls globally lack adequate facilities for menstrual hygiene management[5].

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[1] Thacker S, Adshead D, Fantini C, Palmer R, Ghosal R, Adeoti T, Morgan G, Stratton-Short S. 2021. Infrastructure for climate action. UNOPS, Copenhagen, Denmark.

[2] Coping with water scarcity – challenge ot the twenty-first century, UN-Water

[3] Africa Energy Outlook 2022 | Special Report- IEA Publications

[4] IEA, IRENA, UNSD, World Bank, WHO. 2023. Tracking SDG 7: The Energy Progress Report. World Bank, Washington DC. © World Bank. License: Creative Commons Attribution—NonCommercial 3.0 IGO (CC BY-NC 3.0 IGO).

[5] https://www.worldbank.org/en/topic/water/brief/menstrual-health-and-hygiene

While they offer solutions to sustainable development, infrastructure assets can have negative social and environmental impacts. The construction of large infrastructure assets, such as dams and railways, can disrupt and displace communities. **Existing infrastructure is a major emitter of greenhouse gas (GHG) emissions, 79% according to UN (2021),** with most associated with buildings, energy and transport[6] and it have direct and indirect impacts on biodiversity and ecosystem services. According to IPCC (March 2023), continuing with "business as usual" would lead to temperature increases of 3.2°C, with dramatic consequences on human societies and biodiversity.

Therefore, an increased investment in sustainable infrastructure is an urgent priority in order to deliver better services while protecting the environment, and serve both people and the planet. Sustainable infrastructures have to be provided rapidly and respond to the long term needs of a growing population.

According to UNDP, sustainable infrastructures *"are those that are planned, designed, constructed, operated and decommissioned in a manner that ensures economic and financial, social, environmental (including climate resilience), and institutional sustainability over the entire infrastructure life cycle."* In this perspective, sustainable infrastructures have three main characteristics:

- *They place human rights at the forefront and are equitably accessible and affordable for everyone without discrimination of gender, ethnicity, or social category*.
- *They take into account environmental sustainability and prevent environmental damages.* Clean energy generation plants, for example, are critical in reducing dependence on fossil fuels. Shifting energy sources from coal-fired power generation to renewables not only cuts greenhouse gases but also reduces air pollution, improving health.
- *They are resilient to external shocks:* resilient infrastructures play a key role in shoring up water and energy systems and ensuring that communities can survive shocks and recover from them more quickly.

[6] Thacker S, Adshead D, Fantini C, Palmer R, Ghosal R, Adeoti T, Morgan G, Stratton-Short S. 2021. Infrastructure for climate action. UNOPS, Copenhagen, Denmark

Financing needs are increasing due to higher demand linked to a growing population. Moreover, in a context of scarcity of funding resources, it is worth noting that the majority of sustainable infrastructure investment is needed in capital-intensive clean energy assets – such as wind, solar PV, batteries, electric vehicles and hydrogen electrolyzers – and other low-carbon solutions for energy systems, transport, buildings and agriculture. **These new assets have relatively high upfront investment costs compared with traditional assets, and therefore increase capital needs.**

The huge investment deficit in sustainable infrastructure is in the trillions of USD. The money required each year to reach the SDGs by 2030 was estimated to USD 6.3 trillion per year by the OECD, UN and World Bank (2018)[7], but some have even estimated a cost of USD 10 trillion. For instance, SDG 6—availability and sustainable management of water and sanitation for all—demands investments in infrastructure of at least USD 114 billion a year[8], according to the World Bank. When it comes to meeting SDG 7—access to affordable, reliable, sustainable and modern energy for all— financing needs in Africa reach EUR 25 billion per year, using the IEA's Sustainable Africa Scenario[9].

A significant proportion of the 6 trillion annually invested is needed **in emerging markets and developing countries (EMDCs), with an estimated need of USD 2 trillion per year by 2030[10]**. Official Development Assistance (ODA), the purpose of which is to promote economic development and improve living conditions in developing countries, totaled USD 186 billion in 2021[11], which remains far below the expressed needs.

To achieve SDGs, countries would not only require investment in large scale infrastructure, but in all types of infrastructure, ranging from small scale (dams for water and irrigation for communities, small off-grid solar units, school, health and sports facilities and equipment…) to large scale (power plants, water and sanitation treatment plants, urban integrated mass transport, housing…), as well as regional infrastructure (power interconnection, transport hubs, telecommunication…).

The billions of dollars in additional investment that are needed are beyond the reach of already-stretched public budgets. The emerging markets and developing economies most impacted by the rising cost of capital and the sovereign debt crisis are also some of the most vulnerable to climate impacts, making it difficult for them to find the financial and fiscal stability needed to make climate and transition investments. For instance, IMF data estimate that the proportion of Sub-Saharan African countries at "high" risk of, or in, external debt distress rose from 23% in 2015 to 58% in 2022[12].

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[7] OECD/The World Bank/UN Environment (2018), Financing Climate Futures: Rethinking Infrastructure, OECD Publishing, Paris. https://doi.org/10.1787/9789264308114-en

[8] The Costs of Meeting the 2030 Sustainable Development Goal Targets on Drinking Water, Sanitation, and Hygiene - Summary Report - Guy Hutton and Mili Varughese – World Bank

[9] European Financial Flows on SDG7 to Africa - 2022 Report; Place and date of publication: Bonn, February 2023; Authors: John Hamilton, Ajay Ubhi, Irina Gaubinger, Jon Marks, Marc Howard, Tonderayi Mukeredzi, Adaora Elemide, Daniel Haines

[10] Unlocking private-sector financing in emerging markets infrastructures, by Ali Abid Hussain, Selim Jeddi, Kannan Lakmeeharan, and Hasan Muzaffa, McKinsey&Company, 2019.

[11] OECD

[12] Title: Regional economic outlook. Sub-Saharan Africa : living on the edge. International Monetary Fund, publisher. 2022.

The diversity of needs requires the mobilization of all public and private financing sources, at scale. A variety of financing sources is needed to fund the gap in infrastructure, from public funds (municipalities, national budgets, national, regional or international public development banks, international agencies…) to private funds (small local investors, SMEs, national sovereign funds and commercial banks, international funds, large commercial banks, sovereign funds and philanthropists). Since they require a long term strategic vision, sustainable infrastructure development requires strong governance based on solid and coordinated institutions at local, national, regional and international levels.

Private investment is still largely insufficient: for every dollar of public funds invested, only 37 cents of private funds are mobilized in EMDCs[13]. A better complementarity and a better risk sharing is needed to provide solutions at scale. However, some success stories can be found, having achieved good results in EMCDs and reinforcing the belief that part of the solution to finance sustainable infrastructures in developing countries is to turn to private investment flows.

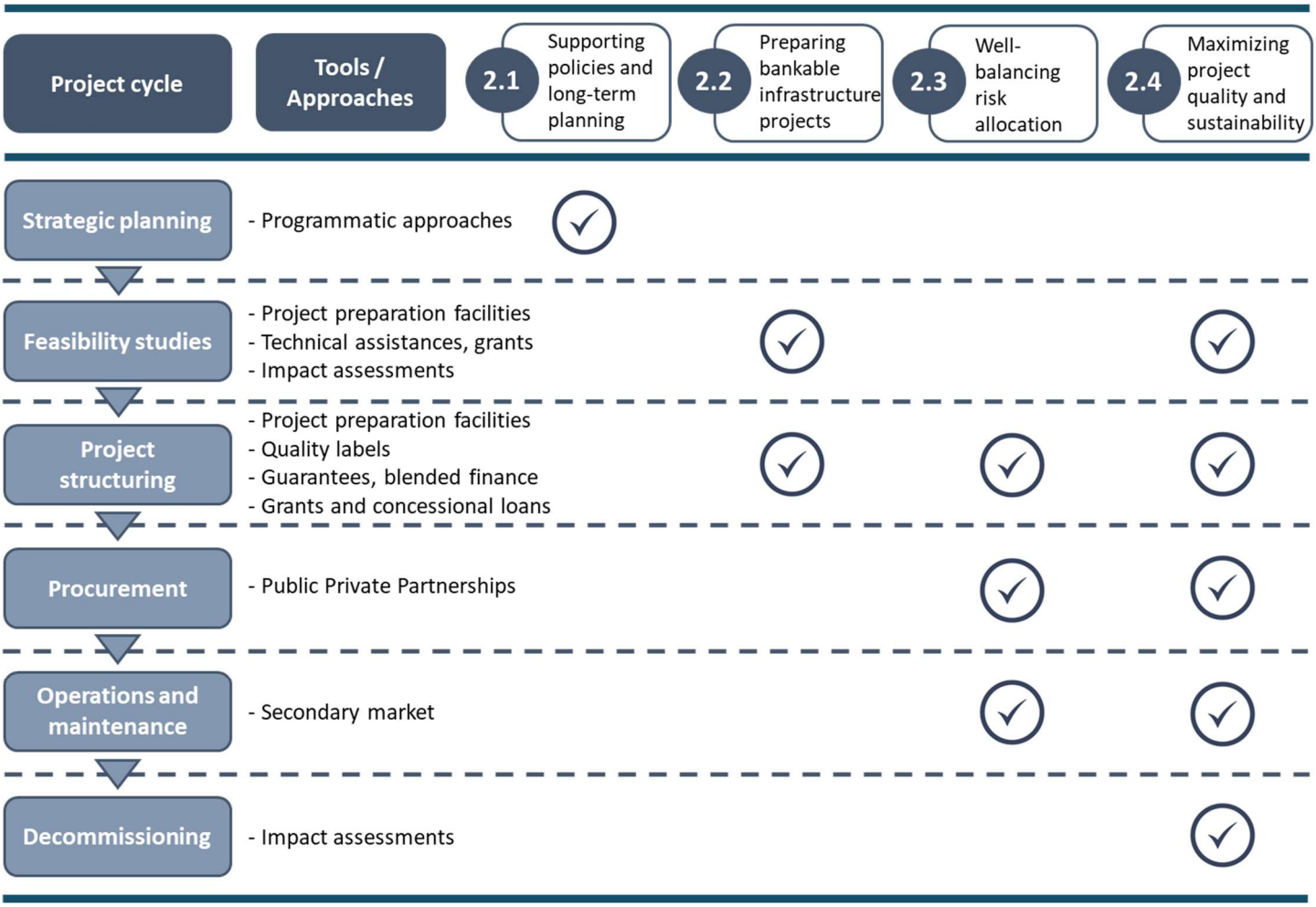
Existing solutions, based on successful experience, can be replicated, adapted and scaled up. In a number of emerging and developing countries, national, regional and international financial institutions, both public and private, have demonstrated their capacity to finance sustainable infrastructure. In the countries where there are clear and long-term policy objectives, predictable and coherent investment plans, and strong institutions able to originate quality projects, public and private investors could provide the diversity of support, including technical assistance and grants, concessional loans and guarantees, as well as equity and debt investments. The lessons from these successful initiatives shall be drawn to map out solutions.

Convergence of agendas between public and private actors are key to addressing the development of sustainable infrastructure. Dialogue, exchange of methods and sharing of data should drive an increased mobilization of private investors to contribute to SDGs and fight against Climate Change.

[13] Blended finance in the poorest countries: the need for a better approach; Authors: Samantha Attridge and Lars Engen; April 2019.

2. Case studies: learning and building on experience

Based on WG3 contributions, several "best practices" related to sustainable infrastructure project development have been identified. National, regional and international institutions, both public and private, have demonstrated their capacity to contribute to increasing financing in sustainable infrastructure projects. These various best practices can intervene at all stages of development of said projects, including strategic planning, preparation of feasibility studies, procurement, operation and maintenance phase.



2.1 Supporting public policies and long-term planning

Developing infrastructure projects requires a favorable context based on clear public policies and solid institutions with a wide range of skills, as well as a long-term vision. Investors, whether public or private, domestic or international, require stable and transparent country strategies they can rely on, as well as a legal, regulatory, and contractual framework which properly reflect the underlying risks.

2.1.1 Solid institutions offering relevant public policies

A suitable environment for investment must ensure transparency, investment protection, independent arbitration and fair bidding processes. It is characterized by a legal framework that facilitates investment, a national or local planning strategy which can help to better plan and foresee necessary investments, strong capacities to prepare projects and conduct complete feasibility studies, and strong project management capacities. **Clear public policies and solid institutions are key to attract investments.**

Because sustainable infrastructure requires a multisectoral approach, addressing economic and financial, social, environmental, and institutional sustainability, human skills are essential at all stages of sustainable infrastructure development, from feasibility studies to design, procurement, delivery and operation phases. For instance, procurement systems traditionally focus on ensuring formal compliance with rules and regulations and selecting the lowest-cost bids. This approach is ill-suited to integrating environmental sustainability criteria, because it does not enable authorities to weigh the long-term added-value of solutions offering better resilience to extreme-weather events or displaying greater levels of energy efficiency. Developing sustainable infrastructure projects thus requires that **qualified personnel and specialists in social and environment assessment are available in solid national institutions.** Strong local technical and management skills also ensure proper maintenance of the infrastructure, guaranteeing its durability which determines their financial sustainability.

Public Development Banks (PDB) provide support to governments to implement policy reforms and institutional capacity building, creating an environment conducive to sustainable infrastructure investment. **Policy-Based Financing (PBF)** is such an example. To improve legal and regulatory frameworks, PBFs links payments to a partner government to the elaboration and implementation of policy reforms instead of linking payments to specific goods, services, or results. The aim of PBF projects is to support reform efforts intended to help partner countries to overcome structural barriers to their sustainable development. The partner country is always in the lead, with the donors providing support in the form of short-term consultancy inputs, policy dialogue (bringing in their own experiences), and financing. PBF programs are targeted at sectors that the government is firmly committed to reform.

KfW and ADB reform program

KfW (Kreditanstalt für Wiederaufbau) and ADB (Asian Development Bank) are two public development banks supporting Indonesia with implementing a reform program to improve its management of public expenditures. This program aims at aligning expenditures to SDGs, ring-fencing spending in social sectors, and improving budget transparency, among other reforms. More than EUR 200 million in reform assistance loans were disbursed by Germany since 2018, with a focus on supporting the development of a model for prioritizing spending.

KfW is also involved with ADB in providing donor-coordinated policy-based financing and policy advice to accompany the government of Indonesia in upstream reforms focusing on an infrastructure development policy program, a first prerequisite for attracting private investment in renewable energy.

The reforms usually encompass a wide range of legislative, organizational, and investment-related measures, and reform programs address underlying constraints that are sector-wide, inter-sectoral, or have an impact on links between sectors and the macroeconomy. Such reforms can help to safeguard sustainability, with, for example, socially affordable tariff structures for power and water provision, or by introducing, improving and enforcing environmental regulations.

IDB's Policy-based lending

Policy-based lending provides the IDB's (Inter-American Development Bank) borrowing member countries with flexible, liquid funding to support policy reforms and/or institutional changes in particular sectors or subsectors. Individual countries and the IDB discuss and agree upon those reforms or changes.

IDB recently supported an energy reform that allowed the Mexican national electricity company to partner with the private sector to reduce the financial exposure that both had faced in the geothermal exploration phase. In Colombia, IDB provided a Policy Based Loan which permitted the energy sector to structure the first PPP in off-grid zones.

Solutions to promote an investor-friendly environment include the **introduction or revisions of laws, regulations, and policies to address structural bottlenecks, as well as measures to strengthen the capacity of institutions.** As an example, institutional capacity building is a key component of the PPIAF, as well as of the RIDF project in Indonesia.

Infrastructure Advisory Facility (PPIAF)

Since 1999, PPIAF has been helping governments develop policies, laws, regulations, institutions, and capacities needed to encourage private investment in sustainable infrastructure.

As part of these efforts, PPIAF promotes knowledge-transfer by capturing lessons while funding research and tools; builds capacities to scale infrastructure delivery, and; assists sub-national entities in accessing financing without sovereign guarantees. Supported by donors and administered by the World Bank, PPIAF helps generate hundreds of millions in infrastructure investment.

PPIAF provides grants for technical assistance and knowledge services to support: developing markets, policy, regulations, and operating procedures for private participation in infrastructure; strengthening the capacities of government contracting authorities; improving creditworthiness of public counterparties to financing and PPP contracts, and; supporting pioneering PPP transactions in fragile countries and sub-sovereign financing.

For example, PPIAF supported a telecom law in Afghanistan that established an independent regulatory authority and thus enabled the sector to develop.

RIDF Project in Indonesia: an example of institutional capacity building, with the building of a financially sustainable financial intermediary to increase access to infrastructure finance at the subnational level

In 2017, an IBRD loan of USD 100 million, alongside an Asian Infrastructure Investment Bank (AIIB) loan of USD 100 million and a grant of USD 3 million from SECO, permitted the launch of the Regional Infrastructure Development Fund (RIDF) Project in Indonesia.

Since 2017, RIDF has supported the Government of Indonesia's decentralization agenda to address medium to long-term infrastructure financing in two ways:

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1) The capital support for RIDF consists of providing loans to participating subnational governments in Indonesia for selected infrastructure subprojects.

2) The Project Development Facility consists of providing support for subnational governments in carrying out subproject identification and preparation, including, but not limited to, feasibility studies, detailed engineering designs, environmental and social safeguard assessments, advisory services on financial management and procurement, and training.

RIDF is expected to support 30 infrastructure subprojects by 2023 in several subnational governments in Indonesia, and has already supported road, market, and hospital construction.

The project is implemented by PT. Sarana Multi Infrastruktur (PT SMI), which was established in 2009 as a state-owned enterprise (SOE) whose entire capital is owned solely by the Republic of Indonesia under the Ministry of Finance, with a mandate to be a catalyst for the acceleration of infrastructure development through various financing modalities and technical support. Initially dedicated to 8 operational sectors (roads and bridges, transportation, oil and gas, telecommunications, waste management, electricity, irrigation, and drinking water supply), in 2015 PT SMI obtained permits for sector expansion, including social infrastructure such as hospitals and markets.

As an example, the North Sulawesi Provincial Hospital project was conducted by PT SMI from 2021 to 2022 with loan commitment of IDR 300 billion (USD 20 million) over 5 years. Before the construction, PT SMI was also involved in project preparation by providing the feasibility study for the work using grant money from RIDF (component 2 of the project supported by WB, AIIB and SECO).

As investing in sustainable infrastructure is a long-term process, building "upstream planning", which enables countries to identify the projects that will most help them to meet their development targets, and developing a strategic set of projects that governments plan, prioritize and implement, contributes to providing a clear temporal visibility. Experience shows that **moving away from the current project-by-project approach to adopt country or regional program-based funding** can trigger positive results: several program approaches, based on predictable calls for investments, transparent competition and fair contracts, have shown great results in terms of increased investment, faster timelines, and bringing down the cost of capital.

2.1.2 Programmatic approaches to make investment predictable

National programmatic approaches are based on planning studies in order to define strategic country objectives. Those objectives are usually presented in national development plans (NDPs), which outline a country's vision for sustainable development and the steps needed to achieve that vision. NDPs indicate what needs to be financed. Integrated National Financing Frameworks (INFFs), promoted by UNDP, spell out how national strategies will be financed and implemented, relying on public and private financing sources. INFFs are being developed in 86 countries under the leadership of ministers of finance, working together across ministries, the private sector, financial and non-financial intermediaries, and civil society and international organizations. They are a planning and delivery tool to help countries strengthen planning processes and overcome obstacles to financing the SDGs at the national level.

Long term strategic roadmaps can be translated into predictable and coherent investment plans. For instance, the IDB is working with countries on developing **National Infrastructure Investment Plans (NIIPs)** with well-structured portfolios of projects and investment sector strategies. These investment plans present an opportunity to integrate and accelerate the climate agenda and SDGs in infrastructure projects. Peru, El Salvador, and the Dominican Republic have already prepared their NIIPs, and similar plans are being prepared in six Caribbean countries.

REIPP in South Africa offers an example of an efficient national programmatic approach in the renewable energy sector.

REIPP in South Africa: a successful example of a country program-based approach

***Context & objectives**: the Integrated Resource Plan 2019 (IRP 2019) is South Africa's energy master plan for meeting electricity generation requirements from 2010 to 2030. The Renewable Energy Independent Power Producers Procurement (REIPPP) financing program, which was launched during the 17th Conference of the Parties (COP17) in Durban 2011, is the renewable energy component of the IRP. Aiming at increasing electricity capacity through private sector investment in solar photovoltaic and concentrated solar, onshore wind power, small hydro (<40 MW), landfill gas, biomass, and biogas, the program targets installation of 7,958 MW of solar photovoltaic (PV) generation capacity by 2030 and concentrated solar power (CSP) capacity of 600 MW by 2030 in South Africa. The program is designed to reduce the country's reliance on fossil fuels, stimulate an indigenous renewable energy industry and contribute to socio-economic development and environmentally sustainable growth. It is supported by labor, business, and civil society with the signing of the Green Economy Accord in November 2011, which highlighted the need to stimulate the green economy for a sustainable future with the intention of creating at least 300 thousand green jobs by 2020.*

***Key actors**: The Department of Mineral Resources and Energy (DMRE), National Treasury (NT) and the Development Bank of Southern Africa (DBSA) established the*

IPP Office to provide professional advisory services, procurement management services and monitoring, evaluation and contract management services in order to deliver on REIPPP. The scale and scope of electricity infrastructure development under the IPPPP extends beyond the national footprint to the establishment of broader regional linkages and partnerships. Active engagement and collaboration has occurred with, amongst others, the South African Development Community (SADC), African Union (AU) and South African Power Pool (SAPP). Bilateral relations are also being pursued in support of cross-border project collaboration and capacity support, knowledge sharing and skills enhancement.

***Main results**: The long-term investment plan defined for the REIPPP since 2010 in South Africa improved the predictability of the projects' development and was quite successful in attracting investors. This initiative totals 6200 MW of installed capacity (5% of South Africa's energy supply) with the mobilization of USD 17.32 billion from the private sector. The REIPPP attracted several foreign private companies. For some of them, their REIPPP project was their first African project, which they then used as a stepping stone to other projects on the continent. The last bid window was majority owned by South Africans companies, securing positions across the full value chain, including engineering, construction, operations and maintenance. This program, among other factors, contributed to reducing the price of electricity from USD 0.17/KWh to USD 0.04/KWh. The REIPPP supports the commitments made by South Africa under the Paris Agreement as of 2018, having contributed to climate change objectives with the reduction of 22.5 million tons of emitted carbon dioxide (CO2) and 26.6 million kiloliters of water saved.*

Just Energy Transition Partnerships (JETP) are also interesting examples of solutions that accelerate necessary policy reforms and promote new initiatives for financing cooperation mechanisms. JETPs aim to help a selection of heavily coal-dependent emerging economies make a just energy transition. A distinguishing feature of the JETP is their centrality and commitment of the partners to enable a "just transition", thus recognizing the direct and indirect impact that the energy transition has on livelihoods, workers, and communities. Using existing programmatic approaches, based on social and economic needs assessments, and long-term studies on climate change risk, they notably demonstrate the attractive power of a strong political engagement by governments, accompanied by wide coalitions of public and private actors.

JETPs: a country-led multistakeholder program approach aimed at attracting investors, notably through predictable tender planning

The South Africa JETP was forged at the COP26 between the government of South Africa and the governments of France, Germany, United Kingdom, United States, and the European Union, forming the International Partners Group (IPG). The JETP followed engagements between the parties on the unique economic and social challenges inherent in transitioning South Africa's

fossil fuel-dependent economy in a just manner. The JETP supports South Africa in achieving an ambitious reduction in emissions ranging from 420 to 350 megatons of carbon dioxide equivalent (MtCO2-eq) by 2030. The political declaration provides that the IPG will mobilize an initial USD 8.5 billion between 2023 and 2027, subject to concurrence on an investment framework. This catalytic financing is in turn intended to leverage a higher level of resources from both private and public sources.

The Indonesia Just Energy Transition Partnership is a USD 20 billion agreement to decarbonize Indonesia's coal-powered economy, launched on 15 November 2022 at the G20 summit. It involves all G7 countries as partners. It also includes Denmark and Norway. Under the JETP, Indonesia aims to reach net-zero emissions of greenhouse gasses from electricity production by 2050, bringing forward its target by a decade, with emissions peaking by 2030.

In December 2022, Vietnam became the third nation to partner with the IPG members (which include the EU, UK, the United States, France, Germany, Italy, Canada, Japan, Norway and Denmark) regarding an initial USD 15.5 billion of public and private financing over the next three to five years to support Vietnam's goal to achieve a number of new energy transition targets. JETPs aim at decarbonizing the power sector while keeping an affordable price of electricity and maintaining grid stability.

The Senegal JETP was announced on June 22, 2023 during the NPF Summit, indicating that IPG members and multilateral development banks will mobilize EUR 2.5 billion of new and additional financing for an initial period of 3 to 5 years from 2023 to support Senegal in implementing its renewed climate ambitions.

JETPs bring together many stakeholders such as communities, trade unions, financiers, investors, and policymakers. The partnership between the GFANZ and the IPG in JETP in Vietnam and Indonesia for better coordination with private investors, as well as the mobilization of philanthropists (GEAPP) brings valuable support to inform policy dialogues and accelerate the design and implementation of energy transition policies and projects.

Large regional infrastructure projects such as electricity interconnections, transport corridors and hubs, air navigation, and others require long term political engagements, dedicated institutions, and technical, financial and legal support, which can be addressed at the regional level. The development of **large scale sustainable infrastructure can be supported by regional programmatic approaches which make investments more predictable**.

Examples include the Program for Infrastructure Development in Africa (PIDA), which has been created to promote socio-economic development and poverty reduction in Africa through improved access to integrated regional and continental infrastructure networks and services (energy, transport, ICT, and trans-boundary water resources),

In the same way, the EAPP (Eastern Africa Power Pool) is facilitating the provision of reliable, affordable and sustainable electrical energy for all in Eastern Africa through coordinated action and was involved in the preparation of project to connect electrical grid between Tanzania and Zambia.

2.2 Preparing bankable infrastructure projects

One of the key challenges to scaling up sustainable infrastructure in developing countries is the availability of bankable projects that are **prepared based on international standards and best practices**. A quality project preparation process is crucial as it lays the foundation for a successfully bankable and implementable project.

Well-prepared projects require strong and complete feasibility analysis involving several stakeholders and concertation mechanisms. Feasibility studies include, but are not limited to:

- **Technical studies**, including engineering estimates studies, and geotechnical or resource assessments, depending on the type of infrastructure, which aim at identifying a "feasible" technical solution.
- **Financial and economic feasibility studies**, including market assessment and demand studies, consisting of economic studies of the capacities and willingness to pay of the final users. At least one bankable project structuring is selected and described.
- **Environmental and social impact assessments**, including climate risks assessments. Infrastructure must be built to last for a long time in a world facing climate change. Therefore, it is crucial to undertake climate vulnerability studies which identify potential natural disasters such as storms, floods, and wildfires that could happen over the life of the infrastructure and propose mitigation strategies so that the infrastructure is resilient. Moreover, infrastructure projects are likely to have considerable social impacts, which need to be examined and understood. For example, a project's potential impact on issues such as employment and/or possible displacement of populations, need to be understood.

Project preparation requires taking into account all aspects of sustainability: economic and financial, social, environmental (including climate resilience), and institutional. **Therefore, project preparation includes coordination between local actors, public authorities, civil society, and the population of the concerned area.** For example, infrastructure focused on mitigating climate change and environmental sustainability, such as large hydropower plants or wind turbines, may meet resistance from indigenous groups or other local communities fearing disruption or loss of their land. Some specific contexts require the need for the free, prior, and informed consent (FPIC) of indigenous and local communities.

Following feasibility studies, a project's transaction phase includes detailed legal and financial due diligence, in order to identify main risks and appropriate contractual and financial structures. This step requires the identification and allocation of risks and responsibilities through risk allocation matrices. **Creating the appropriate technical and commercial structure for a project will be critical for attracting finance and the right mix of finance from public and/or potentially private sources.** Lastly, market sounding with potential investors has to be done in order to assess investor interest.

A well-executed project preparation phase lays the foundation for a successfully implementable and viable project. **These preparation activities are often expensive: estimates show that project preparation costs are approximately 5 to 12% of a project's final cost**, although this will vary by region. Currently, 80% of all infrastructure projects in Sub-Saharan Africa fail in early stages of development. Sustainable projects, and in

particular sustainable infrastructure projects, require significant early-stage support.

Dry ports in Egypt: the cost of project preparation and its future benefits

In 2021, the European Bank for Reconstruction and Development (EBRD) provided a USD 29.6 million loan to the October Dry Port ("ODP") Company. The ODP is a joint venture firm established as a special purpose vehicle in Egypt for the development, construction, and operation of Egypt's first dry port, the 6th of October Dry Port. The fully private company is 70% owned by El Sewedy Electric, while 20% is held by SLP Logistics and 10% by Schenker Egypt. The total financing package for the project was USD 60 million, with the remainder of the financing covered by the sponsor's equity (USD 30.4 million).

The 6th of October Dry Port, which facilitates an important modal shift by transferring part of Egypt's container traffic from its roads to the electrified rail network operated by the Egyptian National Railway, is also responsible for significant environmental benefits like reduced CO2 and other air pollutant emissions (it is expected to save over 14 million liters of diesel per year - 26.8% savings - and reduce CO2 emissions by 40,000 tons per year). The 6th October Dry Port is Egypt's first public-private partnership (PPP) project in the sector.

While the preparation and tender phase of the first dry port PPP in Egypt took 4 years and cost more than EUR 1.5 million, preparation of the second dry port PPP took only 2 years and attracted more bidders at more competitive costs, despite having more requirements in terms of climate adaptation. Indeed, thanks to the experiment of the first port, the private sector had all the relevant technical, legal and environmental information in order to competitively bid for the contract.

2.2.1 Supporting feasibility studies

Project preparation is a complex activity that requires diverse technical competencies and knowledge. To support projects from origination to financial closing, a range of project preparation facilities have been developed. **Project preparation facilities are made available by PDBs and philanthropic organizations to provide technical and financial support to infrastructure project preparation.**

Project Preparation Facilities (PPFs) can assume different formats, but, in essence they are conceived to provide financial resources, technical expertise, and advisory services to help governments, private sector entities, and other stakeholders prepare and structure projects for funding and implementation. Some PPFs are created as funds within MDBs while others are established as separate institutions, including for-profit enterprises such as Africa 50. **By funding project**

preparation activities, PPFs contribute to mitigate risks and enhance the quality and viability of projects, making them more attractive to investors. PPFs tend to support projects that have reached a certain stage of maturity, which is mostly done through support from project originators, which include a variety of players such as government agencies, accelerators and incubators both public and private, and NGOs or CBOs. The funds provided by PPFs are usually used to conduct feasibility studies, prepare technical designs, undertake environmental and social impact assessments, facilitate stakeholder consultations, develop financial models, and support capacity building efforts. Their goal is to accelerate project implementation and contribute to the achievement of national and international development objectives.

Some PPFs are **global and multisectoral**, such as the Bloomberg Foundation, or the Global Infrastructure Facility (GIF), a G20 Initiative housed at the World Bank

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GIF: a global and multisectoral grant facility

GIF was established in 2014 and is a global platform to prepare and structure complex infrastructure PPPs while leveraging private and institutional investors' capital. The facility provides both funding and expertise to client governments and MDBs to design, appraise, and structure projects and to support them through the transaction phase. The GIF focuses on climate-smart projects in the fields of energy, transport, water and sanitation, and ICT.

As of May 31, 2023, GIF has delivered 158 advisory engagements (excluding cancelled projects) in 68 countries, mobilizing estimated USD 93 million including estimated and USD 62 million from private investors into transport (40%) and energy (37%) projects located in Africa, Latin America & Caribbean (26%), Africa (24%) and others.

In one example, GIF supported a Bus Rapid Transit (BRT) system in Abidjan. The GIF initially provided funding to conduct a feasibility study in January 2018 to analyze the relevance of a BRT project for the city's mobility issues and growing demand. GIF provided technical assistance to the government to assess various PPP options for the infrastructure, rolling stock, and the operations & maintenance of the envisioned BRT. Furthermore, GIF's specific involvement included a commercial, financial and economic appraisal, which conducted a review of the legal and regulatory context, specifically noting any enablers or barriers to private participation and identifying the PPP modes permitted within the institutional framework.

Following these assessments, GIF provided the government with a recommendation on the optimal business and implementation model. The BRT thus became part of the Bank's broader USD 400 million Greater Abidjan Port City Integration project, approved by the World Bank's Board in June 2019, which includes USD million for studies and preparation activities to develop the BRT.

Other PPFs focus on **specific areas**, such as the City Climate Finance Gap Fund, housed at the World Bank and the European Investment Bank, and helping cities in EMDEs turn low carbon, climate-resilient ideas into strategies and finance-ready projects, as well as the **Caribbean Investment Facility (CIF)** and CICLIA for Urban Development in Africa by AFD-EU.

CICLIA (Cities and Climate in Africa), a PPF focusing on African cities

Initiated in 2016 by AFD, CICLIA supports African cities in the preparation of low-carbon and resilient urban projects. CICLIA is the missing link between the implementation of international and national climate strategies and the concrete needs of the cities, which are facing an unprecedented rate of growth. More specifically, CICLIA funds studies and technical assistance in all areas of urban sustainability to assist local authorities across Africa in developing projects that contribute to tackling climate change.

CICLIA is working in 39 African cities including 10 capitals. To finance its activities until April 2023, CICLIA received EUR 1.4 million from the AFD, followed by EUR 8 million from the EU and EUR 3 million from the Swiss Secretariat for Economic Affairs (SECO). Nearly 11 million euros have already been invested into 29 technical assistant contracts. The technical assistance has enabled the preparation of 19 urban projects (infrastructure and services), among which 11 projects have already been financed, ***mobilizing a total amount of EUR 1.2 billion - approximately one hundred times the amount provided by CICLIA.*** *Through those projects, 300 thousand tons of CO2 emissions will be avoided and 7.9 million people will see their living conditions improved thanks to access to basic services and green and sustainable infrastructure.*

Some facilities have **thematic focuses**, such as Mobilise Your City (MYC) for transport by France, Germany, and the EU, ETP for energy transition by France, Germany, and Canada, CIFF, and the Program for Energy Efficiency in Buildings (PEEB).

PEEB, a preparation facility focused on the construction sector

Since 2018, the Program for Energy Efficiency in Buildings (PEEB) supports the transition of the building and construction sectors in developing countries towards improved energy and environmental performance in order to reach the objectives of the Paris Agreement.

Along with providing institutional support and capacity building activities implemented by GIZ and ADEME, PEEB acts as a technical assistance facility for building project owners benefiting from AFD or PROPARCO financing or co-financing.

PEEB has already provided technical support to 45 largescale building construction and renovation projects and programs in 30 countries amounting to a total investment of around EUR 1.7 billion. 22% of this amount concerns hospitals, 17% concerns social housing, 16% concerns schools, 10% concerns public buildings, and the rest corresponds to industries, universities, and sectoral frameworks.

The case studies presented above, **aiming at de-risking the financing of projects through enhanced feasibility studies, are targeting early-stage project development. They improve the quality and quantity of well-prepared bankable projects in their relevant geographical areas and thematics.** It is also the case of the JETI initiative sponsored by Ithmar, the AGIA initiative sponsored by ADB and Africa 50, and project preparation assistance fund sponsored by BOAD.

2.2.2 Project structuring and transaction support

Several project preparation facilities exist to support the development of pipelines of projects through the whole lifecycle approach which puts project preparation at the heart of more comprehensive and ambitious programs, including (and in some cases focusing on) project structuring and transaction support, including implementation of competitive procurement processes and mobilization of risk-sharing or credit enhancement packages to increase the attractiveness to private or public investors. Among other approaches, they facilitate transactions, and assist in public procurement and ensuring that appropriate legislation and processes are in place for projects to be taken over by private players. They also facilitate stakeholder involvement, including PDBs and private sector to provide finance.

ETAF (Energy Transition Accelerator Financing)

ETAF is a multi-stakeholder climate finance platform which offers access to IRENA resources and experts, providing curated guidance and technical assistance targeted to local and regional developers along with access to funding necessary to advance the global energy transition in developing economies.

ETAF facilitates capital mobilization to finance feasible renewable energy projects to achieve an adaptable and resilient energy transition and to provide economic and social impacts in developing countries. The platform already received pledges from four institutions, amounting to USD 900 million for approximately 1.5 GW of renewable energy projects by 2030. The scaled projects have a minimum project CAPEX of USD 25 million for private sector/PPP projects and USD 10 million for public sector projects

*ETAF is leveraging the track record built with the IRENA-ADFD Facility implemented from 2013 to 2020, through which ADFD (**Abu Dhabi Fund for Development**) committed to allocate USD*

50 million per cycle to selected projects with budgets ranging from USD 5 to 15 million per project to fund up to 50% of the total project costs. The facility financed 26 renewable energy projects and further attracted around USD 570 million in co-funding from other financing sources from 2014 to 2020.

Public development banks and national financial institutions can play the role of "honest broker" between administrations and private investors as they are able to take into consideration public and private interests. They can provide support and assistance with the negotiation stages of legal agreements that embody commitments made directly or indirectly, and catalyze blended finance mechanisms by structuring public and private capital mobilization. They are well placed to define the appropriate funding architecture for each project.

Playing a role of "honest broker" between administrations and private investors: the example of FONSIS

FONSIS (the Senegalese sovereign wealth fund created in 2013) has been able to develop flagship projects in record time, such as the first solar project in Senegal (Senergy, providing 30 MW).

FONSIS executed the pre-development work prior to the launch of the tender, funded the required pre-development budget and was able to come up with commercially-viable project documentation in a timely manner. A strong degree of project preparation work makes work packages more attractive for international private players and less risky.

Addressing the demand side of a project is an efficient way of de-risking it and making it more attractive to investors. Some actors, such as public demand platforms, play a catalytic role and attract private national or international investors as nodal agencies for ensuring cash-flow predictability.

The Solar Energy Corporation of India (SECI)

SECI was created in 2011 by the Central Government of India, as a nodal agency for providing credit enhancement, ensuring cash flow predictability, implementing competitive public-private-partnership (PPP) auction processes, and developing solar parks.

SECI acts as the counterparty for PPAs with the private sector. SECI aggregates demands for clean power from India's states and tender capacities through transparent online e-auctions.

Any delays in payments by the states are absorbed by SECI, which ensures that private sector developers are able to receive timely payments. Over the course of auctions with SECI as an intermediary there have been no defaults or delays in payment to developers, and these auctions have standardized bidding documentation.

SECI has been involved in awarding projects attaining approximately 54 GW to the 2022 financial year, entailing investments of more than USD 30 billion.

In the same way, but at the regional level, Ithmar Capital (a Moroccan strategic private investment fund) is suggesting the launch of a demand aggregation platform to connect demand and supply in green energy. This will permit African green energy producers to sell it to European consumers, increasing demand on the African side and therefore improving the risk return profile of investment in the energy sector.

2.3 Balancing risk allocation

Well-balanced risk allocation is key to attracting private investors. Indeed, investors are facing risks included – but not limited to – political and regulatory risks, project risks, climate risks, currency risks, and exit risks. Several tools, including project preparation facilities, grants, guarantees as well as blended finance investment vehicles can contribute to mitigate such risks at different levels in order to attract public or private investors. Moreover, the existence of a secondary market for infrastructure projects mitigates exit-risks.

2.3.1 Mitigating risks through guarantees

PDBs offer several credit-enhancement instruments to mitigate infrastructure risk. Among these instruments, **guarantees are one of the most effective tools to mitigate risk and thus mobilize private resources**. Indeed, an OECD evaluation found that guarantees leveraged 26% of all mobilized private finance between 2018-2020. According to the OECD, a guarantee is "a legally binding agreement under which the guarantor agrees to pay part or all of an amount due on a loan, equity, or other instrument in the event of non-payment by the obligor (or loss of value, in the case of investment)". In practice, guarantees cover different types of risk (payment risk, currency risks, termination risk, political risk, and others) and may involve different instruments (debt, equity, or both).

There are a number of successful institutions with a track record of guarantee issuance, such as PIDG's GuarantCo which provides guarantees to banks and bond investors to develop capital market projects based on local currency, MIGA which focuses on political risks, and SIDA. The AFD offers a Public Payment Guarantee solution, covering payment defaults by public entities (governments, state-owned companies, and local authorities). **The recent OECD/DAC approval of a methodology report which credits guarantees to official development assistance, will incentivize PDBs to increase the amount of guarantees for infrastructure credits**.

WB Guarantee Program

Since 1990, the World Bank Guarantee Program has provided political risk mitigation and credit enhancement to a range of potential investors (MIGA). Between 2017 and 2022, 28 guarantee projects in over 23 countries have been approved by the World Bank for a total commitment of USD 4.3 billion to support USD 22 billion in investments to mobilize an estimated USD 12 billion of private capital, enabling an approximate 4 GW of complex and transformational hydro projects and over 6 GW of renewable programs across 12 countries.

The Green Guarantee Company (GGC)

The Green Guarantee Company (GGC) is the first ever global institution dedicated to providing guarantees for climate bonds with significant climate adaptation and mitigation impacts

This project was approved in October 2022 by the Green Climate Fund (GCF), which will serve as the founding equity shareholder in this first-of-its-kind institution by providing early stage and patient capital to incentivize participation from more private and institutional commercial investors.

GGC will create an ecosystem around climate bonds for 8 countries (Brazil, Gabon, India, Indonesia, the Lao People's Democratic Republic, the Philippines, Rwanda, and Trinidad and Tobago) by connecting local issuers with international investors and creating working groups in the countries where it operates. This represents an opportunity to mobilize large funds from global investors by using guarantees to increase developing countries' issuance of climate bonds and loans with significant climate impacts.

GCF will invest USD 40.5 million as the first tranche with subsequent investments up to an aggregate amount of USD 82.5 million as GGC scales up. GGC is expected to reduce CO2 emissions by 74.6 million tons and impact 36.9 million beneficiaries.

2.3.2 Mobilizing private investment through blended finance

Blended finance is defined by the World Economic Forum as "**the strategic use of development finance and philanthropic funds to mobilize private capital flows to emerging and frontier markets**", resulting in positive results for both investors and communities. Therefore, the term "blended finance" implies the mixing of both public and private funds through a common investment scheme or deal, either as debt or equity.

The two main investment barriers for private investors addressed by blended finance are high perceived and real risk and poor returns for the risk relative to comparable investments. The use of blended finance is seen as quite promising for sustainable infrastructure development, since it offers the possibility of scaling up commercial financing for EMDCs and the channeling of such financing toward investments with development impacts.

Africa50

Africa 50 is a private investment vehicle which supports the development of a pipeline of investment-ready project; mobilizes public and private sector funding from within and outside Africa with differentiated financial returns and impacts, and invests equity and quasi-equity alongside strategic partners in selected projects. Africa50 currently has 31 shareholders, comprised of 28 African countries, the African Development Bank, the Central Bank of West African States (BCEAO), and Bank Al-Maghrib. Africa 50 focuses on high-impact national and regional projects in the energy, transport, ICT, and water sectors

For one example, Africa 50 acquired 15% of the equity stake in the Nachtigal Hydro Power Company (NHPC) from the Government of Cameroon, which is a EUR 1.2 billion hydroelectric dam in Cameroon. This project, generating 420 MW of hydropower, will produce 30 % of the total electricity in Cameroon in 2024, create 1,500 jobs, and provide a 25% increase in Cameroon's generation capacity. It will be operated under a 35-year concession.

Africa 50 provides also equity to Poa Internet, an internet service provider delivering reliable internet to under-served communities in Kenya at very low rates. It currently has over 12,000 home internet customers, as well as tens of thousands of street Wi-Fi customers across Nairobi.

STOA

STOA is an impact fund created in 2017 by two government owned institutions, Caisse des dépôts et Consignations (CDC) and the AFD, and endowed with EUR 600 million equity to invest in infrastructure and energy, with a focus on Africa and on climate change mitigation. STOA's mandate is to invest alongside industrial and financial partners in infrastructure projects (transportation, IT, power) or companies that are active in the infrastructure space, contributing to achieving the SDGs. Impacts are assessed before investment, including key dimensions such as accessibility, functionality, and cleanliness, and throughout the life of the project. STOA has no exit horizon and can operate like an evergreen fund, which is valuable in these markets where liquidity can be limited.

After five years of existence, STOA has invested EUR 440 million in 14 projects or corporations on three continents (Africa, Latin America, and Asia), including ten investments in the renewable energy sector, two investments in the transport sector, and two investments in the digital sector. As these projects are highly leveraged, the total amount mobilized is twelve times the value of STOA's equity.

For one example, STOA has invested alongside Acciona in Sao Paulo's metro line 6, the largest PPP in Latin America, totaling USD 2.7 billion in CAPEX. This line will transport an average of 600 thousand passengers per day. STOA has also invested alongside EDF and Africa 50 in the Nachtigal Hydroelectric dam in Cameroon. STOA also invested USD 45 million in three

different companies in Africa which are building solar plants on rooftops of commercial and industrial premises and selling the electricity at a discount to the grid.

STOA is contributing to the installation of 1772 MW of energy generating capacity in 2024, avoiding 3.1 million tons of CO2 emissions and connecting 430 thousand households to fiber networks. With a financial performance considered satisfactory by its shareholders, STOA has also already managed two successful exits.

2.3.3 Facilitating exit opportunities through a secondary market

In structured financial markets, secondary markets for infrastructure assets allow developers to exit after the construction phase, selling their stakes to long-term asset managers such as pension funds or insurance companies, and to re-invest their capital into new projects. As they reach the commercial operation phase, assets such as toll roads, bridges, airports, transit systems, power generation and grids, and warehouses present no more construction risks, but predictable returns on investment and can therefore attract the interest of long-term asset managers. Markets like India, Brazil and more developed countries all have a strong secondary market, which reassures investors that they can exit a project. **As it mitigates exit-risk, the existence of a strong secondary market is one of the key components of a bankable investment**.

As an example, as the South Africa REIPPP was initiated, there were no secondary market for power infrastructure assets in South Africa, which constituted a bottleneck in the project development cycle. After several years, the creation of a secondary market (which was pioneered by Gaia and is now highly competitive) ensured that developers, IPPs and DFIs could develop and invest in renewable energy projects with greater confidence by knowing that they can recycle their invested capital and fund more development over time. Based on this experience, the Gaia Africa Climate Fund was created to acquire secondary equity interests in Climate Infrastructure Projects in Africa. It is now a USD 200 million fund aimed at attracting lower-risk private capital to accelerate the sustainable infrastructure project development cycle and **create a secondary market to allow for a more rapid redeployment of capital into new renewable energy projects.**

2.3.4 Developing sustainable infrastructure through grants and concessional loans

For a range of contexts, only grants or concessional loans can ensure the provision of sustainable infrastructure. Public actors are specially involved in the funding of infrastructure projects that have low financial returns for private capital (such as schools in African rural areas, and energy transportation, for instance) but have wide social and economic benefits. Public funds are provided by municipalities, national budgets, national, regional or international public development banks or international agencies. **MDBs provide concessional financing such as loans and grants to finance investments which are not currently profitable for market-rate investors, but have a future impact on SDGs, especially in low income and the most vulnerable countries.** For instance, official development assistance (ODA) is playing a central role in the Philippines where the total ODA portfolio as of 2022 amounted to USD 32.2 billion, consisting of 107 loans worth USD 30.1 billion and 297

grants worth USD 2.1 billion. Japan is the biggest source of ODA in Philippines, having provided USD 10.4 billion, followed by the ADB with USD 9 billion and the World Bank with USD 7.7 billion. Infrastructure dominates ODA flows with 43.5% of the total. PDBs facilitate the development of critical infrastructure that for some reason cannot be attended by the private sector, nor with fiscal resources.

IDB in Colombia: a USD 769,903 grant to supply water and sanitation in dispersed rural or small rural settlements.

The objective of this pilot program is to design and implement models for the provision of individual solutions for the supply of water and sanitation in dispersed rural or small rural settlements (less than 2,000 inhabitants), which will include the use of a range of technological alternatives, in La Guajira in Colombia. The program includes supporting the processes of sectoral institutional strengthening by opening space for departmental articulation between territorial entities, donors, cooperators, companies and other institutions that carry out interventions in the water and sanitation sector in the department of La Guajira.

2.4 Maximizing project quality and sustainability

In order to provide basic services to growing populations in a sustainable manner, projects have to be screened for their ability to reduce inequalities, their resilience and their climate-friendliness. Impact assessments have to be made during the preparation phase as well as throughout the life of a project.

As a means of providing guidance, G7 and G20, among other actors, have proposed sets of quality principles to be followed in designing and implementing sustainable infrastructure projects.

The following 5 quality principles were adopted at the G7 Ise-Shima Summit in 2016:

- Principle 1: Ensuring effective governance, reliable operation, and economic efficiency in view of life-cycle cost, as well as safety and resilience against natural disasters, terrorism, and cyber-attack risks;
- Principle 2: Ensuring job creation, capacity building, and transfer of expertise and know-how for local communities;
- Principle 3: Addressing social and environmental impacts;
- Principle 4: Ensuring alignment with economic and development strategies, including aspects of climate change and environmental concerns at the national and regional levels, and;
- Principle 5: Enhancing effective resource mobilization including through Public-Private Partnerships (PPPs).

The QII Principles were adopted at the G20 Osaka Summit in 2019:

- Principle 1: Maximizing the positive impact of infrastructure to achieve sustainable growth and development;
- Principle 2: Raising economic efficiency in view of life-cycle cost;
- Principle 3: Integrating environmental considerations in infrastructure;
- Principle 4: Building resilience against natural disasters;
- Principle 5: Integrating social considerations in infrastructure investment, and;
- Principle 6: Strengthening infrastructure governance.

2.4.1 Measuring impacts on SDGs achievement

A number of public and some private institutions have developed decision making tools to verify the SDG alignment of infrastructure projects. They have adopted ambitious ESG frameworks in which KPIs move beyond financial flows to measure real economic or on-the-ground impacts. Based on the quality principles defined by G7 or G20, or other similar principles, standardized methodologies and operational tools have been developed to be used at the institutional or operational level during project feasibility studies, especially to guide social, economic and environmental impact assessments. The methodology and grids proposed permit the alignment of projects with the SDGs during the preparation phase.

Several examples of impact assessment methodologies

The G20 Global Infrastructure Hub Inclusive Infrastructure Reference Tool: A practical evidence-based framework for practitioners to maximize the impact of infrastructure investment on reducing inequality and promoting shared prosperity in largescale infrastructure projects

Financing the 2030 Agenda: An SDG alignment framework for Public Development Banks by the European Think Tanks Group (ETTG)

2X Challenge launched at 2018's G7 Summit: the 2X Criteria were developed in 2018 to help 2X Challenge members identify which transactions could be reported towards the common USD 3 billion target in investments that benefit gender equality. Since their launch, the criteria have emerged as a go-to standard for gender-lens investing for DFIs and other investors. A gender analysis is made through entrepreneurship criteria, leadership criteria, employment criteria, and consumption criteria, based on projects concerned as well as the companies supporting the project.

*AFD tool for mainstreaming the SDGs: the Sustainable Development Mechanism. **Project sustainability development analysis is performed using grids to qualify the expected impacts of a project prior to its financing.** They focus on three pillars (planet, people, and economy-governance) comprising six dimensions (biodiversity, climate, social ties, gender, economy and governance). The climate dimension is subdivided into two components: low-carbon transition (mitigation) and resilience (adaptation). Overall, this analysis covers all 17 SDGs.*

The Coalition for Climate Resilient Investment (CCRI) is developing and testing standard practical solutions to more efficiently integrate physical climate risks into investment decision-making.

Natixis Green Weighing Factor and its SDG indicator, the SDGs Adjusted Return Tool "SART Tool"

Most PDBs have developed their own methodologies to calculate projects' carbon footprints based on two measures of GHGs: absolute GHG emissions or sequestration of projects, and the emissions variation of the project. The emissions variation is the difference in emissions between the "with" and "without" project scenarios and can be either positive or negative, based on whether there is an increase or decrease in emissions related to the project. **The carbon footprint of infrastructure is calculated for its whole life, from building to decommissioning, and takes also into account carbon emissions that are avoided thanks to this infrastructure**. For instance, by taking cars off roads, mass transit systems contribute to reductions in pollution and generation of greenhouse gases. In the US, estimates are that if someone commuting 20 miles (approximately 32 kilometers) a day switches from driving to public transportation, it would lower their carbon footprint by 2,000 kg annually. Estimation of the carbon footprint of a given project help investors decide

whether or not to support projects, depending their decision criteria.

2.4.2 Guiding investors through quality labels

Some tools are designed to ensure robustness and continuous improvement through certification of projects by an external party, aiming at defining climate-friendly investments, such as resilient investments or sustainable infrastructure. **This kind of label can steer private and public investors toward projects with optimized impacts, contributing to reaching SDGs objectives.** These labels also act as a compass to navigate numerous available projects. For instance, Fast Infra and Blue Dot Network are labels certifying the quality of the project preparation for private investors, including ESG. Along with a number of the PPFs mentioned above, certification labels help investors identify projects in countries they are not used to investing in.

Blue Dot Network

Blue Dot Network provides certification of infrastructure projects based on robust criteria and standards (including inclusivity, transparency, economic viability, Paris Agreement alignment, financial, environmental and social sustainability, and compliance with international standards, laws and regulations).

FAST Infra

FAST-Infra aims to close the current investment gap in sustainable infrastructure, in particular by providing certification of the sustainability of infrastructure projects (Sustainable Infrastructure Label).

The FAST-Infra Sustainable Infrastructure Label focuses on demonstrating the sustainability of infrastructure assets at any stage of their life cycle and is based on four "dimensions" of sustainability (environmental, social, governance, and adaptation & resiliency) and constitutes a globally applicable labeling system for sustainable infrastructure assets.

Providing a public pipeline for international, well-prepared project promotion, SOURCE is a powerful tool to guide public or private investors towards projects with significative SDG impacts. SOURCE is a promising solution to empower governments in their efforts to showcase credible and transparent infrastructure project pipelines to the local and

international markets, including enabling governments to connect with and apply for project preparation support from donors or other project preparation facilities.

SOURCE

The Sustainable Infrastructure Foundation (SIF) is a not-for-profit Swiss foundation headquartered in Geneva, coordinating the development and implementation of SOURCE. SIF is led and financed by the Multilateral Development Banks (MDBs) that are members of the SOURCE Council.

SOURCE is an online infrastructure project development software, on UN servers, led and funded by MDBs and designed to support the development of well-prepared projects to bridge the infrastructure gap, the digitalization agenda of governments globally, and the mobilization of private finance in sustainable infrastructure projects. As of March 2023, SOURCE has 4216 users involved in 1205 projects in 50 countries. SOURCE is also used by the US Millennium Challenge Corporation (MCC) and EIB-WB Gap Fund Facility.

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3. Key recommendations to increase investment in sustainable infrastructure

The present chapter summarizes the main outputs of the Working Group 3, based on the proposals of the participants and additional inputs from the co-chairs. Each proposal and associated next steps are made for action and will require support from interested public and private institutions in the proposed timeline.

3.1 Country commitments and contracts

Investors, whether public or private, domestic or international, require stable and transparent country strategies that they can rely on, as well as a legal, regulatory and contractual frameworks which properly reflect the underlying risks.

Judging by the many successful case studies of rapid infrastructure development in emerging and developing markets, countries have the capacity to unlock long-term investments and attract international and domestic private and public investors. Using existing programmatic approaches, based on the assessment of social and economic needs, and long-term studies on climate change risk, the "Just Energy Transition Partnerships" (JETPs) demonstrate the attractive power of strong governmental political engagement, accompanied by large coalitions of public and private actors.

Previous country-led programmatic approaches, based on predictable calls for investments, transparent competition and fair contracts, have also shown great results in terms of investment, improved timelines and reduced cost of capital.

To create an enabling environment and increase sustainable infrastructure investment based on in-depth analysis of successful case studies in emerging and developing countries, the three following main recommendations are proposed.

3.1.1 Programmatic partnerships for sector transition

As moving away from the current project-by-project approach to more program-based funding permits systemic shifts in countries, the first recommendation is:

The number of countries entering into programmatic partnerships, such as the Just Energy Transition Partnerships, but also including other potential sectors of interest such as Just Infrastructure Transition Partnerships (including transport, digital technology, water and sanitation, and health) and any other national sustainable infrastructure programs is increased.

The implementation of this recommendation should be based on the clear definition of ambitions and policy objectives, assessments of social and economic needs, credit worthiness of relevant public counterparts, adequate SoE and PPP framework reforms, climate risk and resilience, just elements of transition, and others. There should be a focus on improving enabling environments, sector

sustainability, creditworthiness of public utilities, and PPP frameworks. Programmatic approaches should permit the conception of long-term national investment plans, which define the nature, location, estimated costs and tentative calendar for infrastructure investment and implementation. From these long-term investment plans resource mobilization plans should be produced, identifying schemes and financing sources (from public financing and private investment). The conception of the resource mobilization plans requires early engagement with private finance, including more targeted discussions on potential modalities and areas that require financing. This dynamic should be coordinated by established national central entities, which have a strong mandate for consensus-building as a standard feature of country platforms and that bring together the private sector, communities, local government, multiple national ministries, and organized labor with sufficient capacities and capabilities in the short, medium, and long-term. Lastly, an early and inclusive approach to all stakeholders involved in the implementation of the country programs, including local authorities, regulators, public development banks, private investors, think tanks, philanthropic organizations, and CSOs is required to identify barriers and constraints to the implementation of plans.

In order to implement this recommendation, **countries are called to express their interest to enter into additional infrastructure country programs and partnerships with public actors and private investors by COP28**.

3.1.2 Standard replicable contract templates

In order to reduce process timelines and re-learning time for stakeholders in contracting processes, it is recommended that:

A standard, replicable, balanced contract template is shared, in order to reinforce gold-plated in-country regulatory, institutional and contractual frameworks, notably but not limited to JETP countries or countries with national sustainable infrastructure programs, with the support of international partners.

An adaptation of standard contracts should be proposed to sector specificities and country contexts. Contracts should propose a fair allocation of risks between stakeholders, aiming at lowering the cost of capital and increasing creditworthiness, and reducing delays as they relate to bankability of projects and dispute resolution. Contracts should provide a clear delineation of responsibilities between various stakeholders, including clarifying the expected role of public entities. Lastly, timely, transparent and programmatic procurement processes with all data should be provided to investors.

To reach this target, **a task force, supported by the World Bank and other public development banks as well as private investors, will prepare standard, replicable and balanced contract guidelines for PPPs in sustainable infrastructure by COP28**.

3.1.3 Deployment of the SOURCE initiative

SOURCE is a digital multilateral platform led and funded by MDBs designed to facilitate project preparation by leveraging digital solutions. It is developed and implemented by the Sustainable Infrastructure Foundation (SIF), a Swiss non-profit foundation. It is a software with a range of functionalities designed to make project preparation easier and more cooperative: project management tools, document management, a PPF finder, knowledge management and promotional tools to give visibility to projects. **In order to facilitate and standardize the origination of project in EMDCs, it is recommended that:**

The SOURCE initiative is deployed to all candidate countries, notably but not limited to JETP countries or countries with national sustainable infrastructure programs.

This free digital platform should permit the strengthening of countries' capabilities to manage the process of project preparation for sustainable infrastructure and to monitor project pipelines, as far as technical assistance is provided to countries to adapt the SOURCE digital application to national regulations and to train users on the best use of the platform. New commitments for EUR 3 million have been made to date to the Sustainable Infrastructure Facility (SIF), allowing the deployment of the SOURCE digital platform in 10 countries. **EUR 7 million is now required to allow the deployment in all candidates countries.**

3.2 Originating pipelines of better prepared, bankable projects

One of the key challenges to scaling up sustainable infrastructure in developing countries is the availability of bankable projects and investment opportunities. In emerging markets, the infrastructure gap is due not only about to the scarcity of capital but also to the **low availability of projects that are prepared based on international standards and best practices and would succeed in attracting foreign capital**. Emerging markets tend to rush into procurement without proper understanding of projects costs and impacts. To address this challenge, an adequate project preparation is key as it ensures alignment of public sector needs and private investors' appetite. The need to originate more quality, bankable projects is one of the key pre-requisites for increasing investments in infrastructure in emerging and developing countries. Regarding the long-term nature, high cost, and the multiple risks associated with the construction and operation of infrastructure, their development requires both expertise and capital. It also requires the knowledge of the institutional and sectorial contexts in which projects will be developed.

Experience has shown the key role that is played by in-country institutions, notably national public development banks having adequate processes and tools to assess project feasibility and risks, to take into account public and private considerations, and to structure public or private capital mobilization.

Experience also shows the need for sufficient grant resources and expertise at the early stage of project preparation (technical, financial, and legal).

The two following recommendations are made in order to improve the availability and quality of well-prepared, bankable infrastructure projects.

3.2.1 Grants for sustainable infrastructure project preparation

Because well-prepared sustainable infrastructure projects are needed, and because preparation costs represent 5 to 12% of total investment costs, it is recommended that:

A part of grant resources managed by DFIs, aid agencies, and philanthropic organizations for sustainable infrastructure project preparation is made available to scale up existing project preparation facilities with proven track records and consider new initiatives.

Better support is needed, focused on project preparation at the local level, including environmental and social impact assessment, and climate change resilience. This support should be provided on the one hand by scaling up existing project preparation facilities, and expanding their geographic scope and on the other hand by additional targeted efforts, where needed, to build national or local capabilities to expand project pipelines. Long term support is needed, i.e. for minimum periods of 5 years. **DFIs, aid agencies and philanthropic organizations are called upon to define the adequate part of grant resources to be used for sustainable infrastructure project preparation by COP28.**

3.2.2 International program of capacity building and staff secondments

To address one of the key challenges to scaling up sustainable infrastructure in developing countries, which is the low availability of bankable projects, it is recommended that:

The "ORIGINATION" program, an international capacity building and staff secondment program, between public and private institutions, is launched to strengthen capacities to design, originate and catalyze strong pipelines of bankable infrastructure projects.

This program should be based not only on reinforcing existing national institutions (PPP units, public development banks) but also on the creation of new ones with a clear mandate to identify and structure projects ready to be funded or invested in. It is necessary to share the existing approaches, to develop national toolkits to assess feasibility, and to structure bankability and efficiency criteria for pure private sector, PPP, or public sector projects. Lastly, coordination capacities between the various stakeholders involved in projects, from local levels (ministries, agencies, and others), to international partners, have to be enhanced. **The ORIGINATION capacity building and staff secondment program is launched by the IDFC, and interested institutions can join the initiative or develop additional programs by COP28.**

3.3 Regional aggregation and syndication platforms

Political impulse, long-term planning, as well as project preparation need countries' commitments and appropriate institutions. Experience shows, however, that sustainable infrastructure development can also be supported by additional levels of decision-making, tools and initiatives.

Blended finance and equity funds have emerged and are able to mobilize capital for regional pipelines with balanced risk sharing between public and private institutions.

Notably in many markets, a bottleneck in the development cycle is caused by the lack of an effective secondary market. In developed economies, secondary markets for infrastructure assets allow developers to exit after the construction phase via long-term asset managers (pension funds, insurance companies, and other bodies) and to re-invest their capital into new projects. The promotion of a deep and sophisticated secondary market providing exit opportunities should help attract more capital from new developers whilst freeing up the balance sheets of existing developers and DFIs to finance more greenfield infrastructure projects.

To support regional initiatives and tools for the development of sustainable infrastructure projects in emerging and developing countries, three propositions are made.

3.3.1 Launch of AGIA

Because regional initiatives can play a decisive role in preparing good sustainable infrastructure projects which are lacking in Africa, it is recommended that:

The Alliance for Green Infrastructure in Africa (AGIA) is endorsed by African leaders and is to receive financial contributions.

AGIA is an initiative of the African Development Bank to mobilize capital to develop and structure regional and national green infrastructure projects, and to unlock private financing to accelerate Africa's transition to Net-Zero, as part of strengthening regional capacities. It should raise up to USD 500 million of early-stage, project preparation, and development blended capital to generate up to USD 10 billion in green infrastructure investment opportunities for the private sector. This alliance should have the capacity to prepare and develop green infrastructure projects in fields such as renewable energy, power interconnection, green transport systems and hubs, green hydrogen, water and sanitation management, and other climate and sustainability-focused sectors for private sector investment and execution. **The Alliance for Green Infrastructure in Africa (AGIA) led by the AfDB in partnership with the African Union Commission and Africa50 calls for expressions of interest and capital pledges to the alliance at the NFP Summit, for a closing by COP28.**

3.3.2 Launch of ASIF

As regional initiatives can play a decisive role in mobilizing more capital investment (which is especially scarce in Africa), it is recommended that:

The Africa Sovereign Investors Forum (ASIF) Investment Platform, is designed and launched.

This initiative should mobilize more capital for investment in Africa, with capital from the most reputable African sovereign funds for project development and investment in Africa. The platform has the objectives of scaling up project identification and developing and implementing infrastructure projects at the country, regional and/or continental levels based on international investors standards. ASIF should mobilize USD 1 billion within the next 12 months, with a first phase of USD 500 million by the end of 2023. To reach these objectives, **ASIF, led by Ithmar Capital of Morocco in partnership with other African sovereign funds, calls for support and assistance by the NFP Summit to deploy its investment Platform, for a first closing by COP28.**

3.3.3 Regional catalyst platforms

As in many markets bottlenecks in the development cycle are caused by the lack of an effective secondary market, it is recommended to **assess the feasibility of developing catalyst platforms to stimulate secondary markets whilst leveraging existing initiatives.**

The stimulation of a secondary market should help to generate increased deal flow and greenfield projects through adequate risk sharing/credit enhancement and syndication and to make these projects more attractive to lower return, lower risk, long-term capital. The aggregation of projects though the creation of platforms to syndicate debt from investors or developers, managed by private fund management teams with the relevant skills and expertise, with forward sale agreement mechanisms should work to energize the secondary market and make it possible to operate the "transfer" of projects or project risk to the secondary market. Today, private developers, MDBs, and DFIs typically retain economic exposure over the whole lifetime of the project – during both the construction and operation stages. The availability of secondary market pools of capital, seeking lower risks and returns, would enable the transfer of the projects to other long-term investors when the project is operational and shows a sufficient track record. This would enable developers, MDBs, and DFIs to recover new capacities to invest in project development, migrating towards an "originate to distribute" model. Lastly, it is necessary that the prudential rules applying to insurance companies, pension plans and banks evolve, within the constraints of their fiduciary responsibilities, to incentivize the funding of sustainable infrastructure in EMDEs, including through recourse to 3rd party asset managers and aggregators. **A task force, supported by the OECD, GAIA, HSBC, Standard Chartered and others institutions will assess the feasibility of developing catalyst platforms to stimulate secondary markets whilst leveraging existing initiatives in emerging and developing countries by COP28.**

3.4 Global toolkit for sustainable infrastructure

Beyond clear country policies, solid national institutions and regional finance aggregators for infrastructure assets, experience shows that additional risk sharing mechanisms are helpful at the global level to attract private capital in emerging and developing countries, where counterparty credit risk and foreign exchange risk are considered high. Whereas data collection is costly for investors and uncertainties represent risk, a better sharing of data would reduce the perceived risk and help secure investments. Ultimately, mobilizing public instruments and private investment requires a stronger convergence of standards for quality sustainable infrastructure, including sector sustainability, creditworthy public counterparts, strong enabling environments (macro, fiscal, PPP), social inclusion and gender promotion, environmental and biodiversity protection, as well as managing the impacts of climate change. It is also important to understand that for long-term success and the viability of private investments, a set of accompanying measures is required to underpin the effective use of guarantees, notably sector reforms, integrated planning, capacity building and strengthening of public counterparts (macro, institutional capacity, knowledge, and financial standing).

To mobilize public and private capital in the most complementary and effective way, it is proposed to:

3.4.1 Increase the volume and efficiency of concessional resources

Scale up available concessional and public resources and deploy existing resources more effectively to catalyze private investments.

The implementation of this recommendation would require the use of public financing in blended finance schemes to catalyse private investment, by improving the risk-return profile in developing economies or addressing technology and project risks of new technologies that are piloted to address climate concerns. It is necessary to make use of concessional financing, as appropriate, to finance investments which are not currently profitable for market-rate investors but have a future impact on SDGs, especially in low income and the most vulnerable countries. We should build on existing, but also launch new, blended finance initiatives, that deploy flexible catalytic capital from donors and philanthropic organizations and de-risking instruments from MDBs and DFIs, to mobilize private investment at scale for the development of sustainable infrastructure in emerging markets and developing economies. In some cases, these initiatives may be further enhanced by revenues from carbon credits, where relevant. A first step toward this aim is that the number of initiatives mobilizing public financing in blended finance schemes or equity funds has increased by COP28.

3.4.2 Strengthened guarantee schemes

In order to mobilize more private capital, MDB and DFI already propose mechanisms to mitigate investment risks. It is recommended that **guarantee schemes by MDBs and DFIs are strengthened, especially to cover political and foreign exchange risks.**

Guarantee schemes should include payment security mechanisms by scaling up existing successful examples of off-take guarantees, which have helped scale up investment in renewable power but also to explore the feasibility of expanding their application to new

sectors and contexts, including, for instance, support to transport decarbonization. It is necessary to increase the volume, incentivize the use, create fit-for-purpose applications, and reduce the cost whilst also "greening" existing guarantee instruments and insurance schemes such as those from the WB, MIGA and MDBs/DFIs as well as other players. In developing countries, there is a specific need to develop and make available climate risk insurance for sustainable infrastructure. Scaling up existing instruments such as the Currency Exchange Fund (TCX) would permit the development of foreign exchange risk instruments and risk management practices. The amount of credit and export credit guarantees bilaterally from governments should increase as soon as the possibility to report the related amount to OECD as part of ODA is given. Lastly, it is crucial to augment local currency lending practices by MDBs and DFI, as well as to rollout local currency financing platforms supported by MDBs/DFIs to build local currency financing ecosystems. **Proposals to increase the use of guarantee schemes are required by COP28.**

3.4.3 Extension of access to GEM

The more data are available about a given market, the more confident investors will be. This is why it is recommended that the Global Emerging Market Risk Database (GEMs) evolves toward a GEMs 2.0 to be able to share data with ratings agencies to rationally lower the overall risk perceived by international private investors.

Indeed there is a request of the G20 and the international community to increase transparency and maximize access to the GEMs statistics with the potential of unlocking additional financing for emerging markets. The ongoing process to select the most appropriate jurisdiction to host GEMs 2.0 under a legal form that can best serve its public good mission should be continued while a parallel market study is being carried out to identify demand and potential uses of GEMs statistics in order to formulate the strategic vision and business model of GEMS 2.0 in a way that responds to market demand, is compatible with GEMs members' priorities and strategies, provides adequate data security and confidentiality and can be made financially sustainable. **The GEMs consortium is called to pursue its ongoing progress to transform GEMs into GEMs 2.0 and increase transparency and maximize access to GEMs statistics with the potential of unlocking additional financing for emerging markets by COP 28.**

3.4.4 Using data for certification and mobilization of private investment

As data are necessary to make good investment decision, it is recommended that **infrastructure data are used for certification and mobilization of private investment.**

Better use should be made of the Fast Infra and Blue Dot Network labels, to certify to private investors that projects have been prepared with the best standards. On the other hand, project preparation and sectorial studies should be shared by countries, MDBs, and DFI's, and either disclosed when confidentiality is no longer required, or public version prepared, respecting sensitive information such as cost estimates and land acquisition plans, for instance. It is required that **project certification increases and DFIs share more project data with private actors by COP28.**

3.4.5 SDG standards and guidelines for investors

In order to steer investors toward efficient investments in sustainable infrastructure, it is recommended that **SDG guidelines for sustainable infrastructure investors are shared**.

Indeed, guidelines are needed to measure and optimize SDG impacts, and need to be adapted to the peculiarities of more vulnerable economies in order to incentivize the financing of high impact SDG-compliant projects. The next step required is that **SDG guidelines are shared between DFIs and private investors by COP28.**

3.5 A global forum to finance green and sustainable infrastructure in common

The fruitful discussion between public and private institutions in the preparation of the NFP Summit which led to the proposals gathered in this paper has increased the desire to pursue dialogue related to sustainable infrastructure in emerging and developing countries. This dialogue could be continued during the regular gatherings between the different networks of financial institutions now structured at the global level, including GFANZ, NGFS, OPSWF, ASIF, FiCS, the SDG Philanthropy network, the Investor Leadership Network, and others.

To foster dialogue between public and private institutions and better support for the increase of investment in sustainable infrastructure, it is proposed that a **joint declaration by public and private networks taking stock of the WG3 proposals agrees to remain engaged in the pursuit of dialogue on sustainable infrastructure.**

This dialogue should include a discussion on the refining of global ESG standards and the promotion of methods and tools to rate and optimize SDGs impacts. Networks should share existing tools to assess climate risks of portfolios and to address carbon offsets and infrastructure as well as to bring changes to the institutional asset management ecosystem and capital requirements for infrastructure. This dynamic should be **supported by the major public development banks and private investors networks by the NPF Summit.**

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Obaid Amrane (Ithmar Capital), Prasad Ananthakrishnan (IMF Capital Market), Sarah Assi (Macquarie), Joanne Bate (IDC), Valérie Baudson (Amundi), François Bergere (Fast-Infra), Gautam Bhandhari (Isquare), Ricardo Bonilla (Findeter), Beryl Bouteille (IDFC), Harry Boyd Carpenter, (EBRD), Alice Carr (Gfanz), Sagarika Chatterjee (UN), Guangzhe Chen (WB), Jay Collins (Citigroup), Charles Daulon (Actis), Renier De Wit (Gaia), Christian Deseglise (HSBC), Koen Doens (EU), Christophe Dossarps (SIF), Mafalda Duarte (CIF), Serge Ekue (BOAD), Hesham Elsafty (National Bank Of Egypt), Isabel Ernst (UAE Special Envoy COP28), Ambroise Fayolle (EIB), Kim Fejfer (AP Moller Capital), Lida Fitts (US Treasury), Vinod Giri (NIIF), Sergio Diaz Granados (CAF), Simon Harford (GEAPP), Amadou Hott (AFDB), Emmanuel Jaclot (CDPQ), Catherine Koffman (DBSA), Mahesh Kolli (Greenko), Christiane Laibach (KFW), Marie Lam-Frendo (GIH), Olusola ,Lawson (AIIM), Ngoc Lam Le (BIDV), Carmel Ruth Lev (GIF), David Livingston (Us Special Presidential Envoy For Climate), Riad Meddeb (Undp), Aloizo Mercadente (BNDES), Dr. John Murton (Standard Chartered), Dr. Megumi Muto (JICA), Martin Nagell (Masdar), Andile Ngcaba (Convergence Partners), Vivek Pathak (IFC), Nicolas Pinaud (OECD), Sebastien Prioux (Green Yellow), Robert Schoellhammer (ADB), Ayman Soliman (Sovereign Fund Of Egypt), Edwin Syahruzad (PT SMI), Ailun Yang (Bloomberg Philanthropies), Lawrence Yanovitch (OPSWF), Rigoberto Ariel Yépez-García (IADB), Samaila Zubairu (AFC).

With the support of Emmanuel Baudran (AFD), Euart Glendinning (ADIA), Mamoun Jamai (ADIA), Mathilde Limbergere (DGT), Karim Mourad (ADIA), Paul Salvaire (DGM)

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