

KEY POINTS

- A key takeaway from the Brisbane G20 Summit is the need to create, fund and maintain development banks that can undertake large infrastructure financing, an important element for achieving the promised two percent growth target.
- Competition over the financing of infrastructure development has led to more money being committed, while also creating a political battle among multilateral development banks.
- The Brisbane summit reconfirmed the G20's support for the Bretton Woods organizations, by affirming the supremacy of the World Bank's Global Infrastructure Facility over other sources of infrastructure financing.

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THE BATTLE OF THE BANKS

There are many takeaways from the 2014 G20 summit meetings in Brisbane, Australia, but one that stands out is the battle for creating, funding and maintaining development banks that can undertake large infrastructure financing. One of the pillars of the Brisbane pact on growth and development is the G20 leaders' nod to the importance of infrastructure and investment as the key means of attaining both the promised two percent additional GDP growth across the globe, and the goal of creating quality jobs for youth, women and the disadvantaged.

The Australian government noted that there has been a global mismatch between the need for infrastructure investment and financing and the provision of loans. It highlighted that it was necessary to find US\$15 to US\$20 billion to meet the needs of infrastructure projects that are in the pipeline and not expected to be completed until 2030. The Australians pointed to a report by business leaders produced from the parallel discussion tracks in the B20, which noted the challenges that businesses face in helping meet a key target of the G20 agenda: spurring investment in infrastructure. G20 governments and international organizations agreed that this financing gap needs to be narrowed, and many leaders came to Brisbane proposing different institutional mechanisms and organizations that could help to achieve the goal of spurring infrastructure investments.

This competition for new ideas, financing and institutional arrangements related to spurring investment in infrastructure has resulted in a battle of the banks, with protagonists that include the Asian Development Bank, the Asian Infrastructure Investment Bank, the Global Infrastructure Facility, the BRICS bank and the proposed Global Infrastructure Hub. The final G20 communiqué included a positive nod to various countries' financial commitments to infrastructure spending, while the political background reveals a more heated debate and a snub to many of these competing and, at times, overlapping organizations.

The G20 communiqué endorsed the Australian government and B20's proposal to host a Sydney-based organization called the Global Infrastructure Hub that would provide both a virtual and physical base for sharing knowledge and data that could bring together companies, governments, financiers and institutions that are either searching for or willing to provide financing for infrastructure development. This new organization will have a slim secretariat and operate for a minimum of four years, with operating costs covered by multilateral donors and business. The B20 estimated that the Global Infrastructure Hub would facilitate US\$2 trillion in new money for infrastructure development. It will not be a formal international organization, but its explicit endorsement in the G20 communiqué is a slight to another ambitious proposal put forward by the Chinese — namely, the Asian Infrastructure Investment Bank.

In the lead up to the G20 meeting in Brisbane, the Chinese government sought the endorsement of its mammoth-sized US\$50 billion funded Asian Infrastructure Investment Bank. Unlike other development banks, it would be able to lend to developed economies, such as Australia. Seeking Australian support before the Brisbane meetings, the Australians opted to decline signing on to become a founding member of the Asian Infrastructure Investment Bank, after reported US pressure to not endorse the Chinese-funded bank. Both the United States and Japan preferred that financing committed to infrastructure development should go to the long-established Asian Development Bank, which is mainly dominated by Japan.

The World Bank also had concerns about the Asian Infrastructure Investment Bank and the newly proposed Global Infrastructure Hub, because the Washington-based multilateral organization feared that both new proposals would

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undermine its own newly created Global Infrastructure Facility (GIF). The GIF applies stronger environmental, labour, gender and public scrutiny of infrastructure projects through its internal bureaucratic and external civil society evaluations processes. The World Bank likely had concerns that the Asian Infrastructure Investment Bank and the Global Infrastructure Hub would have insufficient standards to ensure development best practices.

The G20 communiqué therefore downgraded the Global Infrastructure Hub position to a quasi-informal network instead of an international organization per se. At the sidelines of the G20, the BRIC members — Brazil, Russia, India and China — also agreed to put in more money to support financing of infrastructure projects. Nevertheless, the G20 communiqué affirmed the ultimate position of the World Bank's GIF, and welcomed "similar initiative[s] by other development banks and continued cooperation amongst them." One way to read this is an appreciation for all money contributed to the global tally, purported to amount to US\$2 trillion in new financing needed to achieve the G20 communiqué's end goal of achieving the two percent GDP growth target, but with strong affirmations for the supremacy of the multilateral and universal World Bank GIF.

The battle of the banks led to more money being committed, but the G20 communiqué — a consensus-based document needing wide approval of G20 members — has kept its traditional support for the multilateral Bretton Woods organization, the World Bank's GIF, while the Australian host got its temporary Global Infrastructure Hub as consolation for a summit well done.