G20 Finance Ministers and Central Bank Governors Meeting

10th October, 2014

Intervention during session on Endorsing Summit deliverable on Infrastructure Investment

Dear Colleagues,

The Sydney upside scenario envisages a crucial role for supply side structural reforms complimented by suitable macroeconomic policies to meet our growth objectives. However,measures to raise supply will not be effective in raising growth if demand is not strengthened as well. Member countries in their latest assessment of growth strategies have also agreed with an acute need to strengthen demand in the near-term to meet our objectives (Reference FWG Co-Chair Summary). I believe, with policy buffers including monetary policies already reaching their limits in many AEs, public investment can be a handy tool to strengthen demand.

There is no denying that structural reforms aim to create a suitable climate for private players to effectively contribute to the growth objective, but depending solely on private sector to carry us through can be a gross mistake and nonethelesswas never intended also. The mandate for strong, sustainable and balanced growth is so comprehensive an aspiration for the public or private sector to single-handedly take care of.Therefore, it is of utmost importance that our Declarations, Communiqués and Action Plans give a clear picture about complimentary role that public and private players are expected to play in our common endeavour of inclusive growth. Even the OECD had identified the different types of public assistance to private investors in infrastructure and of the new instruments and techniques that financial markets have developed in response to the recent financial and sovereign debt crisis.

Infrastructure is a strategic sector for a country and its political leaders. Projects are characterised not only by risks both in the pre- and post-completion phases but their success is also subject to the regulatory and administrative law uncertainty. This uncertainty cannot be borne and managed by private sponsors and investors. Besides in a risk averse environment, despite being awash with liquidity, public sector investment is crucial for growth and to crowd in the private sector.Stock.

Even, the IMF's latest October 2014 World Economic Outlookhas further reinforced this observation.It suggests thatthe increased risk appetite in financial markets has not translated into a pickup in investment,and inthe current scenario of a low growth, high unemployment and low borrowing cost environment in many AEs, increased public infrastructure investment is one of the few remaining policy levers to support growth.

The lack of adequate infrastructure, both social and economic,is also a key bottleneck for achieving EMEs growth potential, which no responsible government can ignore. In addition, we need to be mindful that our collective target is not *only*growth but a *strong, sustainable and balanced* growth. This makes public intervention at a crucial juncture inevitable to maintain the quality and direction of growth. Private sector is a crucial partner forachieving our objective. However, focusing only on growth per se by disproportionately promoting selected sectors and players of the economy can significantly undermine the effectiveness of growth as a tool for development.

It is in this context that we should pause and ask ourselves this question: Are we putting unduly great emphasis on GIC to incentivise investment in infrastructure? Should G20 be setting up brick and mortar institutions or should we be supporting networking of institutions? One danger of endorsing GIC even though it has laudable objective, is that this would be a precedent for future presidency to attempt similar organisation.

We strongly support a knowledge-sharing platform through actively encouraging the sharing of knowledge, experience and leading practices. India has one of the largestnumbers of PPP projects in the world and we are willing to share our best practices and experiences. We strongly believe that member countries can serve as regional knowledge hubs and the Presidency can network and coordinate institutions in member countries to facilitate global exchanges of information through cloud sharing, as well as training of personnel.

We welcome the Centre's proposal to provide assistance with implementation of the voluntary, non-binding Leading Practices, including by helping interested countries work out how each Leading Practice would be implemented. However we do not believe that creation of such a Centre will enable to bridge the infrastructure financing gap that exists in our countries. Besides, "standardised documentation" or model documents, which appears as one of the mandates of the Centre, completely ignores country practices, laws and systems, which have to be factored in the design and implementation of projects.

However, it appears as if in the absence of any concrete measures on activating long term financing of infrastructure, we are deciding to push through an Institution as a single literally brick and concrete contribution of over a year's discussions on Infrastructure financing. We endorse the proposal of Germany that there should be greater discussion in the Working Group on Investment and infrastructure before we go any further on the proposal.

Thank You !