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World Bank GIF: Synergizing Pension, Insurance and Supranational Investment in EM/FM Infrastructure

The World Bank Group has established the Global Infrastructure Facility (GIF), an ambitious financial framework bringing together supranationals, donor countries, development banks and institutional investors to foster both the deployment of long-term capital into socially-beneficial assets and the transfer of technical and economic expertise across lower-to-middle-income jurisdictions.

INFRASTRUCTURE INVESTMENT AS THE 'DYNAMIC ELEMENT' SUSTAINING GLOBAL GROWTH

In his seminal 1956 "Message Regarding Highways", President Eisenhower told lukewarm Congressional leaders that *"Our unity as a nation is sustained by free communication of thought and by easy transportation of people and goods. [...] Together, the uniting forces of our communication and transportation systems are dynamic elements in the very name we bear – United States. [...] The cost [of inadequate transportation infrastructure] is not borne by the individual vehicle operator alone. It pyramids into higher expense of doing the nation's business. Increased highway transportation costs, passed on through each step in the distribution of goods, are paid ultimately by the individual consumer"*.

This marked attention to balanced growth and the notion that even a modern free-market economy driven

by ever-growing "consumer spending" and "human creativity" nonetheless requires of its public decision makers at federal, state and local level that they be willing to make massive investments in physical infrastructure is the most enduring policy achievement of the quintessentially American middle way: that pragmatic economic approach has successfully lifted generations of blue-collar workers out of poverty in the Post-War era and ushered in the "Affluent Society".

But things changed abruptly *"with the advent of an extreme form of [short-termist] 'free market' ideology in the early 1980s."*² from 1981 until the start of the Great Recession in 2007, infrastructure investments took at best second place in the policy mix of developed and developing nations alike (with notable exceptions such as France, Sweden, China, Singapore and South Korea) as the prevailing economic perception of the time (the 'Washington Consensus') encouraged govern-

ments in Europe, Asia, Latin America and Africa to focus relentlessly on deregulation, privatization, free trade and short-term budgetary orthodoxy.

MUTUALLY BENEFICIAL LT INVESTMENTS, TRANSCENDING THE NORTH-SOUTH DEVELOPMENT GAP

But the long-lasting consequences of the Great Recession (2007-2012), the staggering success of the *infrastructure-driven development path pursued by PRC policy makers* in the past 25 years (emulated by Turkey and South Africa) coupled with the realization that, even in the developed jurisdictions of the Northern Hemisphere, the middle class's "true social well-being began to diverge sharply from national income"³ has aided the emergence of a new, more progressive policy consensus propitious to long-term investments in modern transportation, energy and other socially-beneficial assets: "Increased public infrastructure investment raises output in both the

LA PLATE-FORME "GIF" DE LA BANQUE MONDIALE

La Banque Mondiale a mis en place dans un cadre coopératif réunissant instances supranationales, pays donateurs (Canada, Japon, Singapour), banques de développement (dont la BEI et la BERD) et investisseurs institutionnels (fonds de pension, compagnies d'assurance...) une plate-forme d'investissement en infrastructures dénommée Global Infrastructure Facility (GIF). Jim Yong Kim, président de la Banque Mondiale, et ses équipes ont conçu cet outil original permettant d'accélérer le développement économique et social des pays d'Afrique, d'Amérique latine et d'Asie du Sud, tout en offrant aux détenteurs d'actifs longs de l'hémisphère Nord l'occasion de bénéficier du potentiel de rendement important offert par des régions prometteuses, en phase de décollage économique.

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short and long term [...] The time is right for an infrastructure push”⁴ This evolution in policy thinking coincides with the rapid rise of non-listed assets amongst Northern Hemisphere pension, insurance and SWF investors as the “quest for yields” stimulates their appetite for alternative investments: private equity/venture capital and infrastructure (focusing initially on marquee transportation and energy assets in OECD countries and China) and emerging and frontier markets (across all asset classes).⁵ In the latter area, notably in Africa, the small size of stock exchanges (relative to GDP) means that “if they want to access the opportunities, they will need to go beyond the listed markets. It’s not only a question of scale or liquidity”⁶ In this changed context, the **World Bank Group (WBG)** brought toge-

ther key donors (Australia, Canada, Japan and Singapore), multilateral and regional development banks (ADB, AfDB, EBRD, EIB, Islamic Development Bank), insurance companies (Swiss Re and Axa), investment banks and asset managers (Blackrock, Citibank, DBS, HSBC, Macquarie), pension and SWF investors (Caisse de Dépôt et Placement du Québec, Nigeria Sovereign Investment Authority) and an institutional asset owners association & policy research center (World Pensions Council) to help set up an integrated platform pooling upstream and downstream technical know-how and channeling enhanced capital flows from the industrialized world towards sensible infrastructure assets in the middle-to-lower-income nations of Asia, Africa and South America. This new **Global**



Infrastructure Investments Will Fuel Growth in Middle-to-Low-Income Countries. Annai Indira Gandhi Road Bridge – Gulf of Bengal, India.

Infrastructure Facility (GIF) was established in Washington DC in October 2014.⁷

It is to the credit of President Jim Yong Kim and his World Bank Group colleagues that they have initiated this ambitious endeavor: the GIF will provide a unique framework enabling and accelerating the socio-economic progress of developing nations while transferring advanced technical/financial as well as legal/

regulatory skills to local partners and public agencies. For long-term private-sector asset owners such as pension funds and insurance companies, this will provide a range of solid investable opportunities in the demographically dynamic jurisdictions of Asia, Africa and Latin America that are reforming rapidly and thus setting ambitious, infrastructure-driven development trajectories. ■



Launch of the World Bank Global Infrastructure Facility, Washington D.C., October 9 2014.

Pictured: Front Row: Werner Hoyer, President, European Investment Bank (2nd from left); Guido Fürer, Chief Investment Officer, Swiss Re (3rd from left); Jim Yong Kim, President, World Bank Group (5th from left); Joe Hockey, Australian Treasurer (6th from left); Bertrand Badré, Managing Director and Chief Financial Officer, World Bank Group (7th from left). Second Row: M. Nicolas J. Firzli, Director-General, World Pensions Council (1st from left).

(1) *Message to the Congress Regarding Highways, February 22, 1955 [White House Office, Office of the Press Secretary to the President, Box 4, Press Releases Feb. 8-March 14, 1955].*

(2) Firzli, MN, & Bazi, V. (2013). *Transportation Infrastructure and Country Attractiveness. Revue Analyse Financière, N° 48, pp. 67.*

(3) Juliet Schor. *As Public Goods Decay and Democracy Wanes, the Populace is Offered SUVs, Malls, and Debt. Boston Review, Sept./Oct. 2005.*

(4) Abiad A. and Furceri D. (2014). Chapter 3: *Is it Time for an Infrastructure Push? The Macroeconomic Effects of Public Investment. in World Economic Outlook: Legacies, Clouds, Uncertainties (pp. 75-114). Washington DC: International Monetary Fund.*

(5) Firzli, MN, and Franzel J. (2014). *Infrastructure Investments: Harnessing Long-Term Capital for Local Development. Public Management/ICMA, December 2014, pp. 16-19.*

(6) Comments made by G. Wilson, CEO, IFC Asset Management, at the AFRICA INVESTOR (Ai) Institutional Investment Summit (New

York Stock Exchange, Sept 22 2014) <https://www.youtube.com/watch?v=AqAVys5l-Fo>

(7) World Bank press release: <http://www.worldbank.org/en/news/press-release/2014/10/09/world-bank-group-launches-new-global-infrastructure-facility>

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