The G7 Research Group at the Munk School of Global Affairs at Trinity College in the University of Toronto presents the

2015 Schloss Elmau G7 Summit Final Compliance Report
9 June 2015 to 6 May 2016

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“We have meanwhile set up a process and there are also independent institutions monitoring which objectives of our G7 meetings we actually achieve. When it comes to these goals we have a compliance rate of about 80%, according to the University of Toronto. Germany, with its 87%, comes off pretty well. That means that next year too, under the Japanese G7 presidency, we are going to check where we stand in comparison to what we have discussed with each other now. So a lot of what we have resolved to do here together is something that we are going to have to work very hard at over the next few months. But I think that it has become apparent that we, as the G7, want to assume responsibility far beyond the prosperity in our own countries. That’s why today’s outreach meetings, that is the meetings with our guests, were also of great importance.”

Chancellor Angela Merkel, Schloss Elmau, 8 June 2015
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3. Infrastructure: Infrastructure Investment

“[To ensure that G7 countries operate at the technological frontier in the years ahead, we will foster growth by] promoting quality infrastructure investment to address shortfalls through effective resource mobilization in partnership with the private sector”

*G7 Schloss Elmau Summit Declaration*

### Assessment

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<thead>
<tr>
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<th>Lack of Compliance</th>
<th>Work in Progress</th>
<th>Full Compliance</th>
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<tbody>
<tr>
<td>Canada</td>
<td>0</td>
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<td></td>
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<tr>
<td>France</td>
<td>0</td>
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<td>Germany</td>
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<td>Italy</td>
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<td>Japan</td>
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<td>European Union</td>
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<tr>
<td>Average</td>
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<td>+0.75</td>
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### Background

G7 members have consistently committed to promoting infrastructure investment in specific contexts. At the 2014 Brussels Summit for example G7 leaders agreed to boost infrastructure investment throughout Africa, specifically in energy-related projects. The 2013 Lough Erne declaration similarly committed to facilitating institutional investment flows into bankable trade-related infrastructure projects in developing countries.

In 2015, infrastructure became a global banner issue with the inclusion in the United Nations Sustainable Development Goals. The G7 has adopted a similar emphasis on the importance of sustainable infrastructure development, acknowledging the role of innovative infrastructure financing and development in the long-term prosperity of developed and developing countries.

While there is no universally accepted definition of what constitutes “infrastructure,” the World Bank defines the term as including physical structures and organizations related to “transport, water, energy and information and communications technology.”

### Commitment Features

G7 members have pledged to promote quality infrastructure investment in partnership with the private sector to ensure that G7 members continue to operate on the technological frontier.

Full compliance requires the country to mobilize state resources to renew unfulfilled infrastructure projects or commission new programs and projects, which aim to improve the previous condition of infrastructure (efforts are not merely restoring existing infrastructure, but upgrades or improvements).

These efforts must result in tangible cooperation with the private sector. For example, a compliant country may co-create a national infrastructure investment fund with private sector partners or co-fund a specific but significant infrastructure project with private sector partners.

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### Scoring Guidelines

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<th>Score</th>
<th>Description</th>
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<tr>
<td>-1</td>
<td>Member does not take steps to promote significant infrastructure investment.</td>
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<tr>
<td>0</td>
<td>Member takes steps to promote significant infrastructure investment but fails to promote private sector partnerships.</td>
</tr>
<tr>
<td>+1</td>
<td>Member takes steps to promote significant infrastructure investment, including in partnership with the private sector.</td>
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*Lead Analyst: Hayden Rodenkirchen*

#### Canada: 0

Canada has partially complied with its commitment to promote quality infrastructure investments in partnership with the private sector.

In October 2016, Prime Minister Justin Trudeau pledged an additional $60 billion of infrastructure funding over the next 10 years. The Minister of Finance, Bill Morneau, has suggested that spending timetables may be condensed to account for worsening economic conditions.

In November 2015, the Government of Canada removed a requirement that cities and provinces look at funding infrastructure projects through public-private partnership before sourcing government funding for major infrastructure projects.139

In March 2016, the federal government announced in its budget infrastructure investment of CAD120 billion over a ten year period. The first phase of this will focus on the “public transit, water, waste management and housing infrastructure.”140

While the Canadian government continues to make substantial investments in infrastructure and has committed rhetorically to increased spending, it has not strengthened these efforts through means of private sector funding. Canada therefore receives a score of 0.

*Analyst: Neel Aery*

#### France: 0

France has partially complied with its commitment to promote infrastructure investment.

On 13 October 2015, France and Saudi Arabia agreed to EUR10 billion in investments focusing heavily on transportation investment.141 So far they have identified 36 potential opportunities that include the manufacturing of buses, trains, and spare parts as well as the establishment infrastructure maintenance and repair.142

On 28 January 2016 France’s minister of ecology and energy announced that the government intends to pave 1000 kilometres of road with photovoltaic panels, which could produce energy for nearly eight per cent of the French population.143

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On 28 January 2016 the French government signed EUR15 billion worth of deals with President Rouhani of Iran.\(^{144}\) The deal’s agreement covers facets of infrastructure such as railways, but also focuses on increased production as it’s speculated that Iran will buy as many as 127 airbases from France.\(^{145}\)

Thus, although France has done little to encourage private investment in infrastructure, it remains the second most prolific private sector, as far as investments, in Europe. France therefore receives a score of 0 for partial compliance.

**Analyst: Richard Vogel**

Germany: +1

Germany has fully complied with its commitment to promote infrastructure investment in partnership with the private sector.

On 29 December 2015, the Government of Germany announced plans to extend a recently concluded bicycle path into 100-kilometre “bicycle superhighway.”\(^{146}\) This project would help connect ten cities and is predicted to take 50,000 cars off the road everyday by providing a commuting route for over two million Germans.\(^{147}\) Investment in the project is expected to exceed EUR180 million.\(^{148}\)

On 14 March 2016, the German government announced plans to establish a fund worth EUR10 billion to invest in high-speed broadband infrastructure in rural areas.\(^{149}\) The fund aims to maintain the competitiveness of small and medium-sized businesses operating outside of major cities. The fund will be partly financed by “the proceeds of auctioning UMTS mobile phone frequencies.”\(^{150}\)

On 16 March, 2016, German Transport Minister Alexander Dobrindt announced Bundesverkehrswegeplan (Federal Transport Infrastructure Plan) 2030, the Federal government’s plan for upgrading, building and improving Germany’s road, rail and waterways.\(^{151}\) Between 2016 and 2030 Germany plans to invest EUR94.7 billion in expansion and construction projects, as well as EUR141.6 billion for the maintenance of existing networks.\(^{152}\)

Germany has committed to further infrastructure investment and has in at least one case deployed private investment to achieve this. Therefore, Germany receives a score of +1.

**Analyst: Richard Vogel**

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Italy: +1

Italy has fully complied with its commitment to promote infrastructure investment and addressed shortfalls through effective resource mobilization in partnership with the private sector.

Domestically, Italy has taken steps to address infrastructure shortfalls. Since the Schloss Elmau G7 Summit, an investment agreement from the European Commission for EUR1.84 billion from the European Regional Development Fund has been made official. This infrastructure promotion targets railways, port infrastructure, and intelligent transport systems, and is intended to make transportation in Italy more competitive while maintaining low-carbon environmental standards.

On 10 December 2015, Italy announced a USD8 million contribution to the Sustainable Energy Fund for Africa. The fund aims to support small and medium-sized private renewable energy firms on the continent.

The Italian Ministry of Infrastructure and Transport has been focusing on a bilateral agreement with the Islamic Republic of Iran, signed on 26 January 2016, and while it emphasizes transportation development this action has not increased private sector participation.

On 28 January 2016, Ital Gas Storage, controlled by Morgan Stanley Infrastructure, received funding from a consortium of international banks to develop a large gas storage plant in Northern Italy, but this was not directly linked to Italian investment promotion.

Italy has taken steps to promote infrastructure investment, including in partnership with the private sector through its contribution to the Juncker Plan. As a result, it has been awarded a score of +1.

Analyst: Sarah Millman

Japan: +1

Japan has fully complied with its commitment to promote infrastructure development.

On 21 November 2015, The Japanese government and the Asian Development Bank (ADB) announced a five-year, USD16 billion partnership. The purpose of this partnership is to promote the investment of private infrastructure projects and to encourage public infrastructure development, both of which are Sustainable Development Goals set out at the United Nations summit in September 2015. ADB President Takehiko Nakao stated that through its “assistance for urban transport, renewable energy, and other infrastructure, the partnership will also contribute to the expansion of climate financing to developing countries.”

countries, in line with the expected outcome of UN climate conference meeting in December.”

The first step will be the establishment of a trust fund in March 2016 under the partnership between ADB and Japan. This demonstrates financial investment in infrastructure, as well as an attempt to encourage both private- and public-sector interest in infrastructure development.

In December 2015, immediately after Prime Minister Shinzo Abe’s visit to India, the Japan International Cooperation Agency pledged a loan of approximately INR40 billion rupees for two major highway projects in India. The National Highways and Infrastructure Development Corporation will implement both projects. An Indian road transport ministry official stated that the Indian government is also requesting a loan from ADB for the Imphal-Moreh Road, which will significantly improve the region’s transport network.

Japan has promoted contributions to infrastructure investment, both domestically and abroad, in partnership with the private sector. Therefore, it has been awarded a score of +1.

**United Kingdom: +1**

The United Kingdom has fully complied with its commitment to promote infrastructure investment by taking steps to promote quality investment with the public and private sectors.

On 16 July 2015, the Government of the United Kingdom pledged EUR8.5 billion of funding to the European Union’s European Fund for Strategic Investments. The fund aims to “overcome current market failures by addressing market gaps and mobilizing private investment.”

On 23 December 2015, the House of Commons published a report stating that 64 per cent of planned infrastructure investment will be privately funded, 25 per cent will be funded publicly, and 11 per cent will be split between private and public funding.

On 5 October 2015, British Chancellor George Osborne announced the independent National Infrastructure Commission, stating a need for “a Commission, set up in law, free from party arguments, which works out calmly and dispassionately what the country needs to build for its future and holds any Government’s feet to the fire if it fails to deliver.”

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Furthermore, the UK has increased nationally significant infrastructure projects in the transport sector including: roads, railway lines, large-scale harbours and airports.\footnote{167} Thus, the United Kingdom has been awarded +1 for compliance with G7 infrastructure requirements by not only promoting increased infrastructure investment, but also by promoting the investment by both public and private sectors.

\textit{United States: +1}

The United States has fully complied with its commitment to promote quality infrastructure investment in partnership with the private sector.

On 7 July 2015, the US announced the creation of a National Community Solar Partnership to “unlock access to solar [power] for the nearly 50 percent of households and businesses that do not have adequate roof space to install solar systems.”\footnote{168} The Partnership will involve collaboration between businesses and government departments as part of a wider initiative to increase access to solar energy in the United States.\footnote{169}

On 14 January 2016, US Transportation Secretary Anthony Foxx announced a plan to earmark USD4 billion in the 2016 budget for investment in self-driving cars.\footnote{170} This funding would “finance research projects and infrastructure improvements tied to driverless cars.”\footnote{171} The project would happen simultaneously with a government push to set guidelines and standards for the development of self-driving automobiles. Private sector involvement in the project will involve a test phase in which selected companies would be permitted to deploy their vehicles on US roads.

Thus, through linking the private sector to the public in order to finance infrastructure programs, the US has earned a score of +1.

\textit{European Union: +1}

The European Union has fully complied with its commitment on infrastructure investment.

The EU has continued to finance infrastructure growth and development through the Innovation and Network Executive Agency.\footnote{172} This organization ensures investment in European infrastructure through the Connecting Europe Facility, Horizon 2020, TEN-T and Marco Polo.\footnote{173}
On 13 January 2015, the European Commission proposed the formation of the European Fund for Strategic Investment (EFSI) under the European Investment Bank (EIB).174 This fund is aimed at mobilizing EUR315 billion for investment in higher risk projects, which the market will not support.175 As much as 75 per cent of the funds will be devoted to infrastructure and strategic projects such as infrastructure, telecommunications, energy efficiency initiatives and education infrastructure.176

The funding for the EFSI is expected to come from private investment that will view infrastructure investment as offering “attractive returns in the current environment of low interest rates.”177

On 2 July 2015, the EIB provided EUR75 million in investment to Copenhagen Infrastructure Partners in order to encourage investment in green-energy areas.178

On 22 July 2015, the European Commission approved a EUR270 million investment in the infrastructure of the French port of Calais.179

On 8 October 2015, the European Transport Ministers met at the Transports, Telecommunications and Energy Council where they agreed to liberalize passenger railway service and to strengthen railway infrastructure governance.180

On 5 November 2015, European Commission President Jean-Claude Juncker called upon the Connecting Europe Facility to provide EUR7.6 billion towards financing key infrastructure projects.181

On 19 January 2016, the European Union agreed to the EU Energy Commission’s proposal to invest EUR217 million in infrastructure throughout Southeastern Europe and the Balkans.182 Its aim is to increase energy transportation capacity between central and Southeastern Europe.183

On 25 January 2016, the EIB provided EUR68 million to Lithuanian Railways to modernize railway infrastructure in the country.184

180 Transport, Telecommunications and Energy Council (TTE) - Ministers for Transport adopt a general approach to railway infrastructure governance and market liberalisation as part of the fourth railway package, The Government of Luxembourg (Luxembourg) 8 October 2015. Access date: 3 February 2015.
The EU has made significant investments in infrastructure, within its jurisdictions and abroad. It has done so on multiple occasions in partnership with the private sector. Therefore, the EU is awarded a score of +1.

*Analyst: Graydon Kelch*

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