Trillions for Infrastructure and the SDGs? Time for a Rethink

Nancy Lee
Senior Policy Fellow
Center for Global Development
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There is about a $3 trillion a year infrastructure funding gap; at most, only half can be met by public sources of capital so at least an extra $1-1.5 trillion is needed from the private sector.

Source: New Climate Economy, Driving Sustainable Development through Better Infrastructure: Key Elements of a Transformation Program, 2015
Investment in Infrastructure Projects with Private Participation in Emerging Markets and Developing Economies (EMDEs)

Investment commitments in infrastructure projects with private participation in EMDEs 2009—H1 2018

Source: PPI Database, World Bank, as of July 2018.
Investment in Infrastructure Projects with Private Participation in IDA Countries

Investment commitments in infrastructure projects with private participation in IDA countries 2009—H1 2018

Source: PPI Database, World Bank, as of July 2018.
Investment in Infrastructure Projects with Private Participation in EMDEs by Region and Country

Source: PPI Database, World Bank, as of April 2018
Sources of Finance for Infrastructure Projects with Private Participation in EMDEs in 2017

Sources of financing for infrastructure projects with private participation in EMDEs in 2017*

- Bilateral DFI Debt: 24%
- Private Equity: 23%
- Commercial Debt: 22%
- Public Debt: 18%
- Multilateral Debt: 6%
- Subsidy: 4%
- Public Equity: 3%
- Institutional Debt: 0.1%

Source: PPI Database, World Bank, as of April 2018.
* All figures as a percentage of total investment. Detailed financing information was available for 168 out of 232 projects.
Share of Number of Infrastructure Projects with Private Participation in EMDEs that received Support from DFIs

Source: PPI Database, World Bank, as of September 2017
Sources of risk: Often concentrated in government action/inaction, policy, regulation, institutions. Investors identify top risks as adverse regulatory actions and breaches of contract.

Intra-bank collaboration: MDBs must do a better job of bringing their public and private arms together to mitigate, not just transfer, risk.
  - To strengthen and better target support for policy and institutional reform.
  - To pursue public investment in infrastructure in ways that open up additional private investment opportunities

Changing product mix: MDB private finance product mixes should evolve from the heavy emphasis on lending—now 80% or more of operations—toward more catalytic instruments like guarantees and equity.

Managing more risk: MDBs need off-balance sheet vehicles to help them handle increased risk. Fragmentation of donor risk-sharing funds is a major problem.

Revenue side interventions: Paying for outcomes can be as catalytic as interventions to share risk and reduce capital costs.