Trillions for Infrastructure and the SDGs? Time for a Rethink

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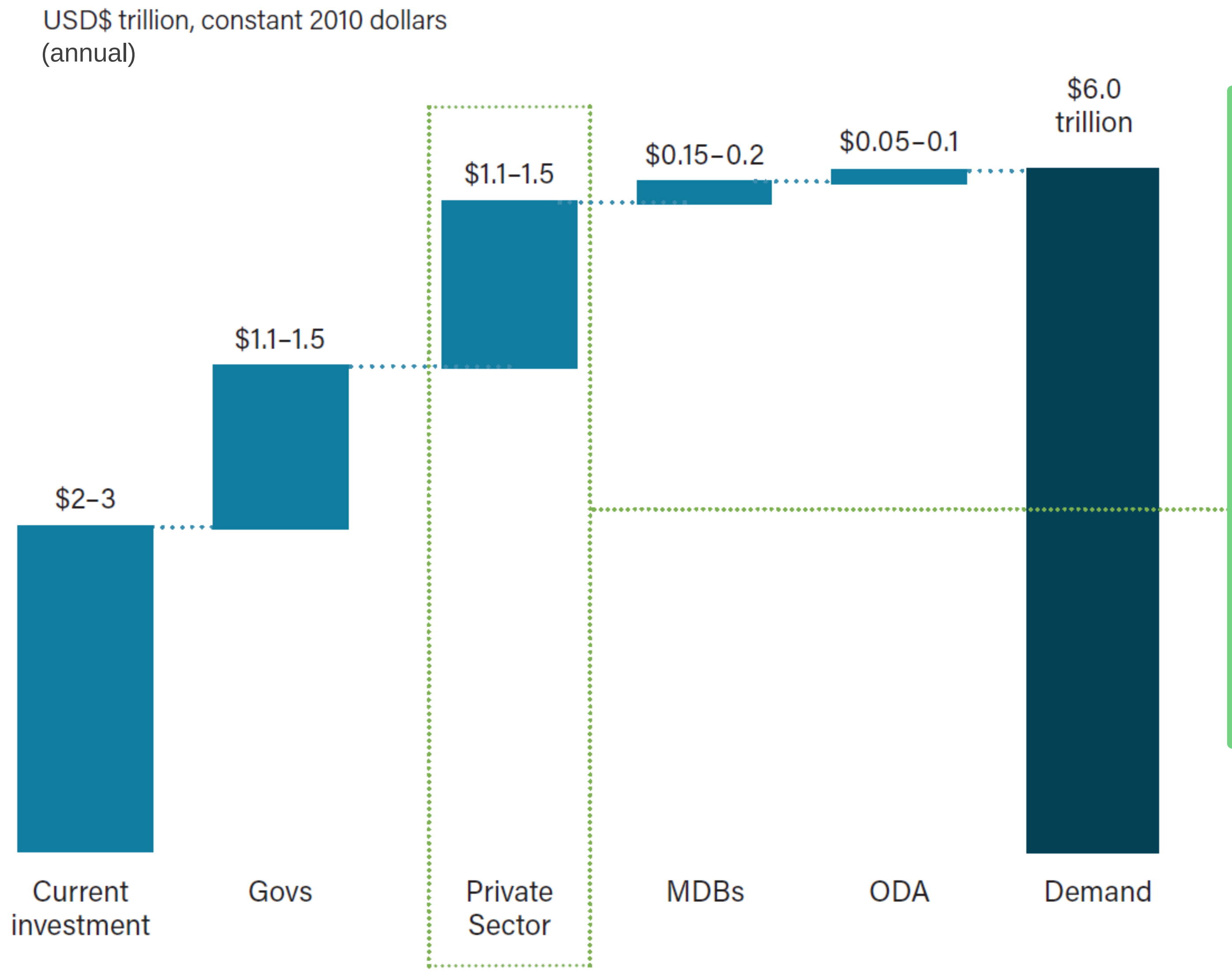
Financing Gap in Infrastructure



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)

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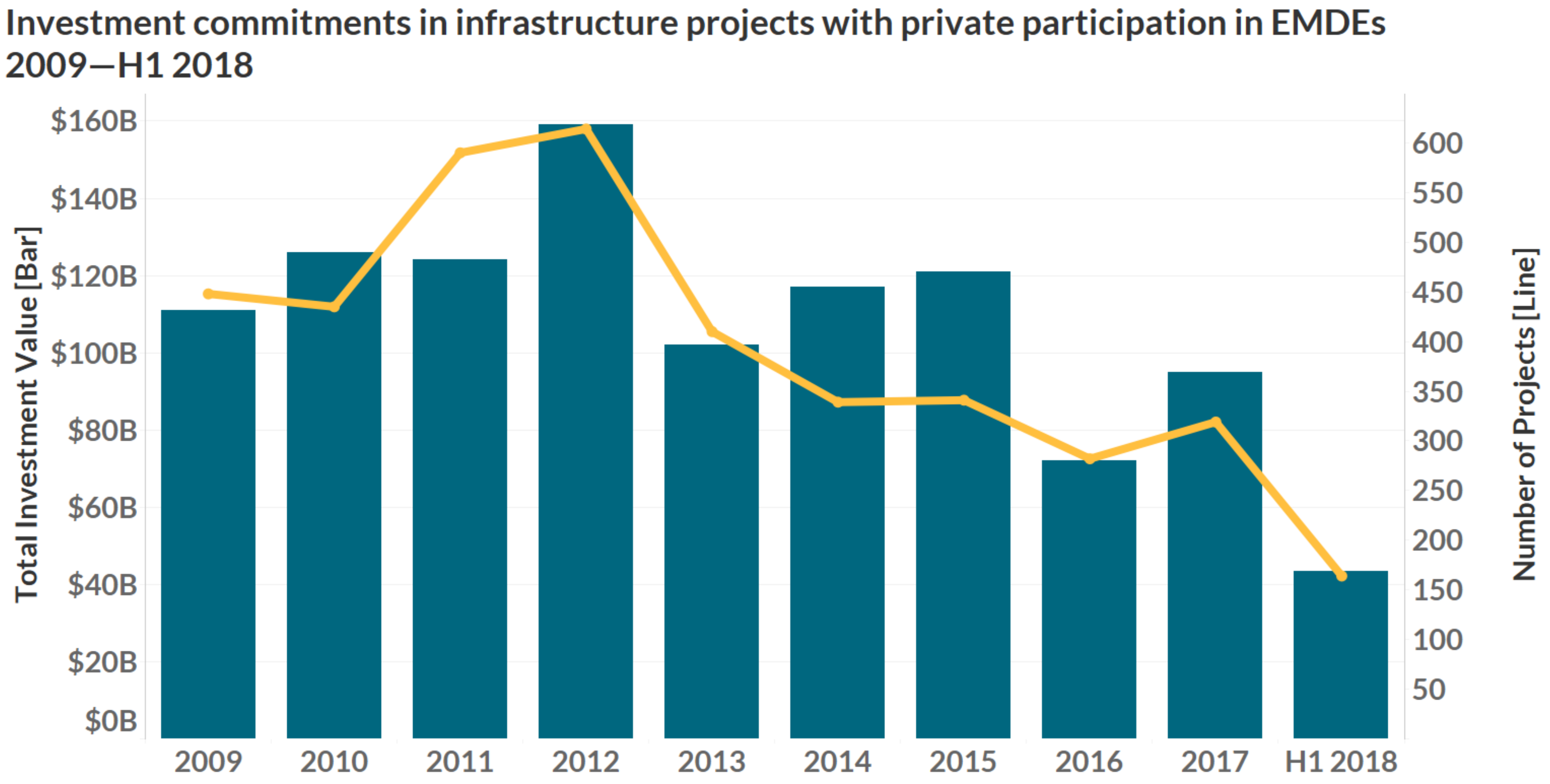

Source: PPI Database, World Bank, as of July 2018.

Investment in Infrastructure Projects with Private Participation in IDA Countries

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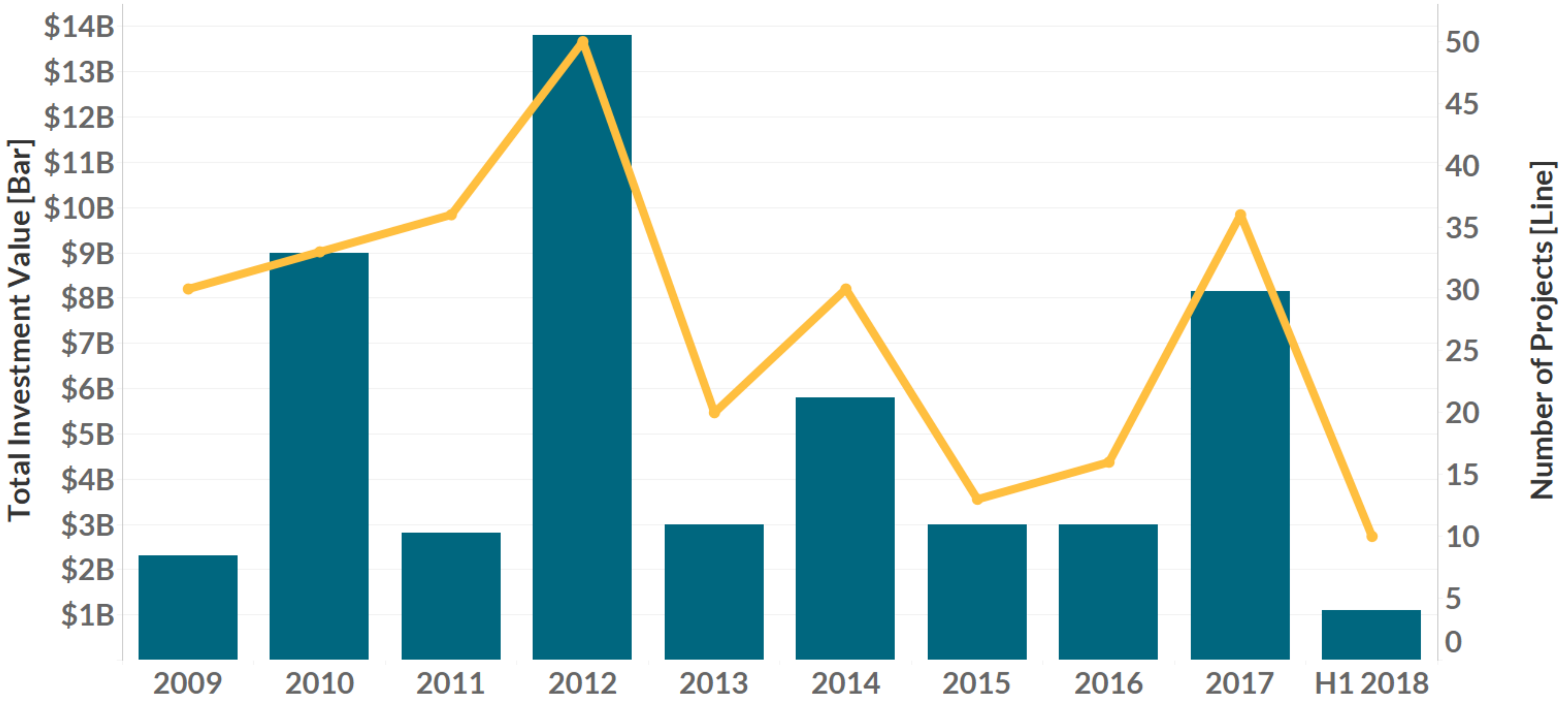
Investment commitments in infrastructure projects with private participation in IDA countries 2009—H1 2018



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

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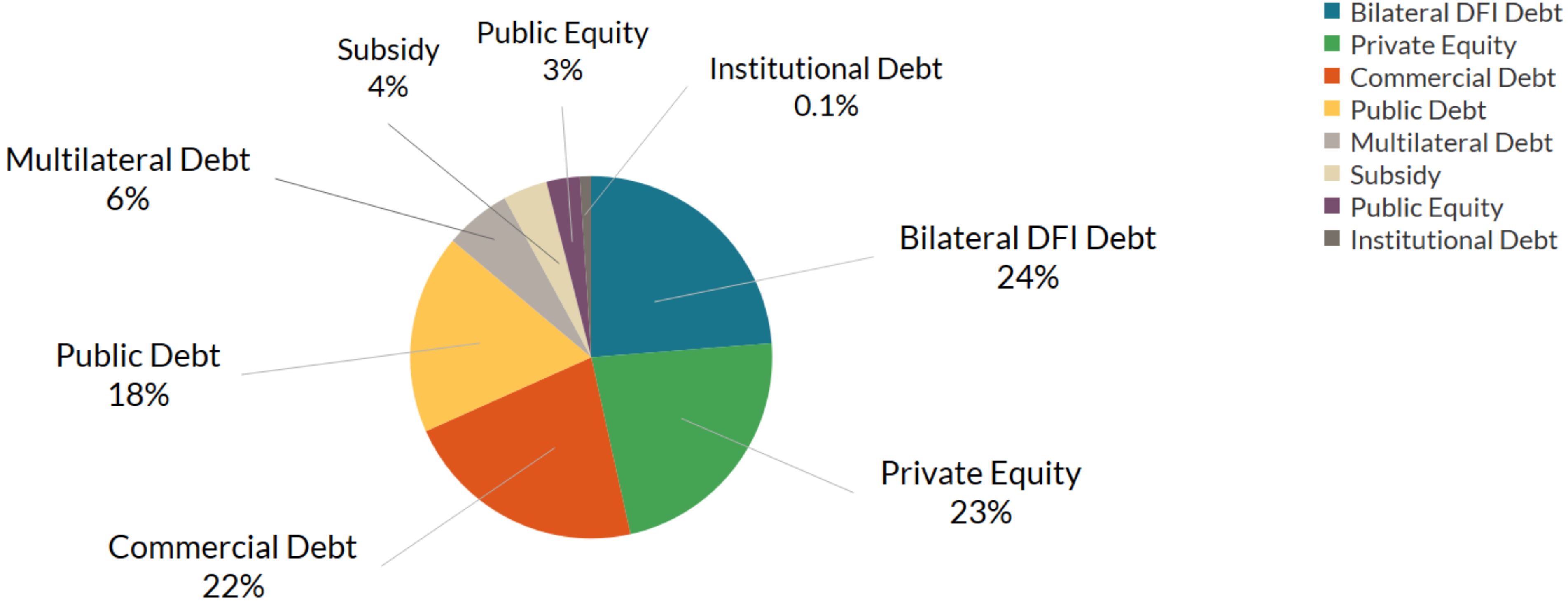
Sources of financing for infrastructure projects with private participation in EMDEs in 2017*



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

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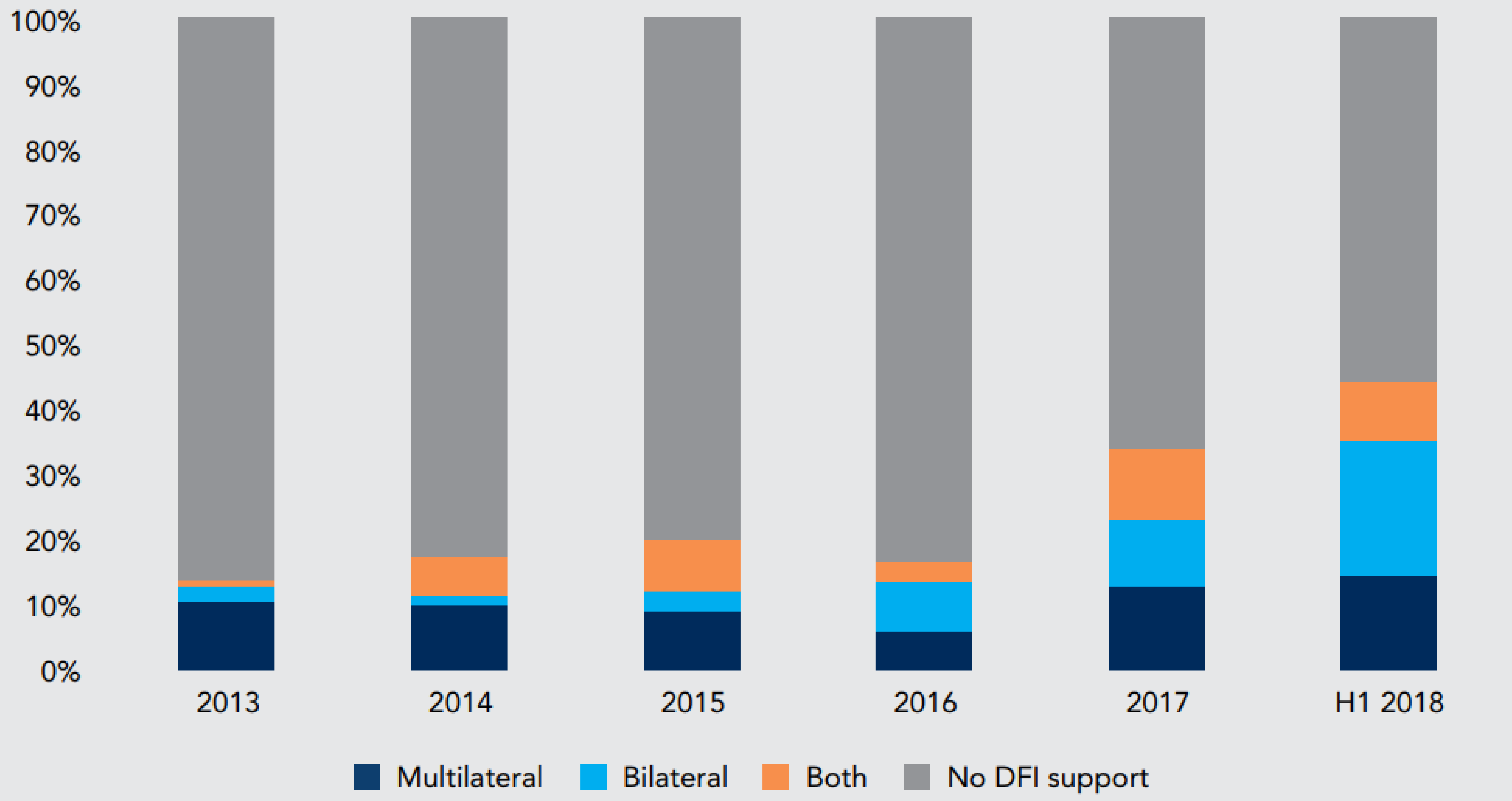

Source: PPI Database, World Bank, as of September 2017

Implications for Multilateral Development Banks: Private Infrastructure Finance Operations

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- *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.