

GIF ADVISORY COUNCIL MEETING

Growth and Transition: Mobilizing Private Capital for the Next Decade of Infrastructure Project Development | December 9, 2021

BACKGROUND DOCUMENT

The next decade will be crucial for global markets on many fronts. The recent [Conference of Parties on Climate Change](#) in Glasgow (COP26) underscored that the next decade is critical for turning climate ambitions into tangible actions if we are to maintain 1.5C and attain the Sustainable Development Goals (SDG). Infrastructure will play a critical role in the next decade of growth, given the significant impact sustainable infrastructure investments today will have on economic livelihoods, social well-being, and sustainable development outcomes for the world we will be living in by 2030 and beyond.

Investing in sustainable infrastructure is crucial for reigniting global growth in the aftermath of the COVID-19 pandemic, along with reaching the SDGs and reducing climate change risk. And while the unprecedented nature of **COVID-19 and its short- to medium-term impacts on the global infrastructure outlook** have been daunting,¹ it is recognized that we also are presented with new opportunities and perspectives for infrastructure investment in a post-COVID-19 environment. Among these are innovative **global collaborations and partnerships** for leveraging private sector investment in sustainable infrastructure in emerging markets and developing economies (EMDE), supported by **blended finance** mechanisms that provide new entry points for private investment in developing countries.

Session 1: COVID-19's Impact on Project Pipelines & the Global Infrastructure Outlook

This session focuses the impacts of COVID-19 on infrastructure development and the global economy, as well as market trends, opportunities, and challenges in the post pandemic world.

Due to the impact of COVID-19 in the early part of 2020, global markets have been volatile and EMDEs have faced adverse health, social, and economic impacts that, in many cases, have erased decades of economic progress and poverty reduction. It was anticipated by UNDESA that 71 million people could be pushed back into extreme poverty in 2020, representing the first rise in global poverty since 1998.²

The infrastructure sector was also hard hit in the early stages of the pandemic, with many infrastructure services coming to a halt and energy prices crashing – resulting in a 56 percent drop in private participation in infrastructure (PPI) in the first quarter of the year, down from 2019 levels.³ The transport sector was most severely affected, with investment commitments suffering due to lockdowns and decreased volumes of passengers and cargo. Regionally, the East Asia and Pacific region was most affected, followed by Latin America and the Caribbean, Europe and Central Asia, and South Asia. A

¹ In 2020, COVID-19 brought infrastructure sector investment levels to historic lows, [Private Participation in Infrastructure](#) (PPI).

² UN reports COVID-19 is reversing decades of progress on poverty, healthcare and education, [UNDESA](#), July 7 2020.

³ [PPI Database Global Report, H1 2020](#).

downward trend continued into the second half of 2020,⁴ with only a modest uptick in investment and project activity in some regions.

During the downturn, multilateral development banks (MDB) sought solutions to support affected governments, infrastructure clients, and projects. Innovative mechanisms were created to support government healthcare and social needs and allowed for 21 percent of all private infrastructure projects to be assisted by development finance institutions (DFI) through loans, equity, guarantees, insurance, interest rate swaps, and transaction advisory services in the first half of 2020 (see *Annex I*), with multilateral institutions providing a total of \$1.1 billion.⁵

The **World Bank** for example has deployed over \$157 billion to fight the pandemic's health, economic, and social impacts over the last 15 months (April 1, 2020 - June 30, 2021) – the largest crisis response of any such period in the Bank Group's history, representing an increase of more than 60 percent over the 15-month period prior to the pandemic. Furthermore, the [Global Infrastructure Facility \(GIF\)](#), a G20 initiative hosted by the World Bank, created the **GIF COVID-19 Response Facility** to address the global pandemic and its negative impacts on client governments and their infrastructure project preparation activities. As of June 2021, the Facility has deployed \$4.2 million, facilitating an estimated total investment of \$11 billion, and \$7 billion expected from private sector mobilization.

As countries begin to look past the COVID-19 crisis, the durability and resilience of governments, infrastructure financial markets, sectors and industries must be considered, as well as how to rebuild in efficient and sustainable ways. This entails not only increased infrastructure spending by public and private actors, but also a conceptual framework that will help policy makers define what types of investments to pursue. For example, the emergence of social infrastructure assets across the world have helped address the immediate health care needs and supply chains over the past 18 months while increased investment in sustainable, climate-resilient infrastructure in the medium term will be critical to a long-term economic recovery. It also has been suggested that reforms to attract private activity, make energy markets sustainable, push technology further in areas such as batteries, and focus on energy access and supply will be essential for a long term decarbonization pathway.

Signs of a gradual economic recovery are currently being seen at the regional, sectoral, and investment levels. According to the World Bank's PPI 2021 Half Year Update,⁶ regions showing strong recoveries in infrastructure investments include Africa, East and Central Europe, East Asia and Pacific, and Latin America and Caribbean. From a sectoral perspective, transport has outpaced others by attracting \$14.4 billion across 40 projects measured and accounting for 40 percent of global PPI investments in the first half of 2021 (with subsectors displaying clear signs of recovery). Meanwhile, the energy sector's downturn is showing signs of reversal that includes an upside of 58 of 61 new electricity-generation projects shown to have used renewable-energy sources, achieving almost 86 percent of new electricity-generation investments in renewables. Furthermore, the PPI Update has found that investment in the first half of 2021 accounted for \$35.6 billion across 133 projects, or a 68 percent increase from the first half of 2020 investment levels, illustrating a stronger recovery than after the global financial crisis a decade ago.⁷

Although the global infrastructure outlook is showing initial, positive signs of resilience, this must be tempered with the knowledge that the post-COVID-19 recovery is still fragile. Despite the bright spots,

⁴ In 2020, infrastructure investment commitments stood at \$45.7 billion across 252 projects in developing countries, PPI database.

⁵ [PPI Database Global Report, H1 2020.](#)

⁶ [PPI Database Global Report, H1 2021.](#)

⁷ [PPI Database Global Report, H1 2021.](#)

given the uncertain macroeconomic outlook and risk aversion among private sponsors and financiers, investments are moving towards markets that are traditionally safer and countries that have had more success in combatting the pandemic. And, achieving the SDGs and climate change mitigation and adaptation in EMDEs will still require large investments in green, inclusive, and resilient infrastructure over the next 10 years. Furthermore, the pace of recovery in two-thirds of EMDEs is projected to be insufficient to recoup the per capita income losses caused by the pandemic by 2022.⁸

A full post-COVID-19 recovery and the attainment of the SDGs will necessitate continued support over the medium- and long-term, and against future shocks. Formulating a framework today to help enact investment enabling policy actions – such as clear communication from governments on policies, robust data collection that allows private actors to assess and mitigate investment risk and support mechanisms to assist vulnerable governments and companies – will be crucial for guiding us along the path to a sustainable and resilient recovery. **To find out more about this topic from our distinguished speakers, please join the Advisory Council session on the Global Infrastructure Outlook: COVID-19's Impact on Project Pipeline, beginning at 8:20am EST.**

Session 2: Blended Finance Market Innovation

This session will focus on the strategic use of development finance for the mobilization of additional capital towards sustainable development in developing countries as a crucial element for scaling up private capital towards a green recovery.

Blended finance can make a significant difference in dealing with investment challenges in developing countries. The good news is that the private sector at the local and international level, including large institutional investors, have the resources to close this financial gap if institutional investors deploy just a fraction of the \$150 trillion of assets at their disposal. However, the World Bank estimates that PPP investments by institutional investors, such as pension funds and sovereign wealth funds into EMDEs accounted for only 0.67 percent of total PPP investment.⁹

Several factors limit institutional investment in EMDEs, including the availability of investable projects, institutional and governance constraints, high-risk premiums, and macroeconomic and foreign exchange risk factors – all leading to a disadvantageous risk-return profile. The lack of investable projects in EMDE pipelines is compounded by high fixed costs of developing projects, the small size of deals relative to the funds at the disposal of institutional investors, and the replicability of projects, especially in smaller economies.

Other issues that affect deal execution and structuring are weak governance structures and the implementation capacity in government infrastructure ministries. It is estimated that EMDEs lose over one-third of the potential economic benefits from infrastructure due to inefficiencies in the planning stages, allocation of investment to the right sectors and projects, and implementation, especially the availability of funding over the life cycle of the asset. All these factors contribute to a perception by institutional investors that the returns of investing in EMDEs may not be worth the risks.

Blended finance, the use of capital from public or philanthropic institutions to leverage private sector investment in developing countries, is acknowledged as an effective way to improve the risk-return nexus and mobilize private investment into EMDEs. However, to make blended finance work, macro policies and governance reforms need to be implemented to address the root causes

⁸ [Global Economic Prospects](#), World Bank, June 2021.

⁹ Contribution of Institutional Investors, Private Investment in Infrastructure 2011 through H1 2017, World Bank.

that limit institutional investment. MDBs, for example, have institutional knowledge and operational experience in EMDEs to address these challenges and help mobilize private investment. MDBs can provide information on their pipeline projects and improve the enabling environment in EMDE countries for the private sector to invest, and partner with the private sector in the design and structuring of blended finance instruments. Their private sector windows can provide credit enhancements and guarantees to allow them to participate in transactions that do not meet their risk thresholds. The GIF as an MDB partnership platform also offers support to governments to develop and structure projects that are based on value for money analysis and are fiscally sustainable to deliver green and resilient infrastructure in line with the G20 Principles for Quality Infrastructure Investment.

Already, we are witnessing a shift in how MDBs are approaching and utilizing innovative blended finance solutions. GIF is creating a Downstream Financing Window to support MDBs with capacity to provide private infrastructure investors with additional credit enhancement instruments to address risks that often discourage them from investing in EMDE infrastructure projects. The DFW envisions the creation of the Credit Enhancement Facility supported by a blended funding model, backstopping its obligations, combining concessional resources with guarantees, with the objective of maximizing the mobilization impact of donors' contributions.

At the country level, the proposed **GIF-MDB CMP Initiative** will work with GIF Advisory Partners and MDBs to align key government, international financial institutions, private sector, and philanthropic actors on a target set of sector-specific private capital mobilization priorities, relating to climate change in partner countries and establishing a platform of collaboration across the ecosystem of actors. GIF is also working with the [Global Investors for Sustainable Development](#) to create a new platform to mobilize funds from the private sector, mainly institutional investors, to be deployed as senior debt in sustainable infrastructure projects that meet predefined investment criteria. The platform involves the establishment of an independent investment vehicle – the **Sustainable Infrastructure Investment Facility** (SIIF) – which will follow an optimized syndication model focused on infrastructure investors, benefiting from first loss guarantees provided by donors and a pipeline of projects sourced from MDB Technical Partners.

It should be understood that blended finance should be used to mitigate only those risks that investors are not prepared to take and for those projects that demonstrate sustainability. It should not be used for projects that are not bankable, but mainly for bridging temporary gaps that allow investors to join a project at the right time, under the right conditions. Blended finance can provide first loss tranches, cover specific risks germane to developing country markets, and extend leverage at concessional rates. Blended finance can also be used for promoting local currency mobilization, by deploying solutions aimed at incentivizing increased participation of local investors, while providing an adequate match to infrastructure projects based on local currency revenue streams. This will help to optimize the risk reward calculation for a pool of investments that would be attractive to institutional investors and competitively priced. ***To find out more about this topic from our distinguished speakers, please join the Advisory Council Session on Blended Finance Market Innovation, beginning at 9:00am EST.***

Session 3: Mobilizing Private Capital Through Country Platforms

This session explores the role of the private and public sector in the mobilization of capital towards a net-zero future, as well as the concept of Country Platforms, which has emerged as a multi-stakeholder effort to provide enhanced private capital mobilization support.

Many EMDEs have made clear climate commitments and National Determined Contribution (NDC) plans. Among the many commitments made at the recent COP26, as reflected on their NDCs, include phasing down coal and fossil-fuel subsidies; halting and reversing deforestation and land degradation by 2030 through a pledge made by 130 countries representing 90 percent of the world's forests; and commitments to use funds to reach net-zero emissions by 2050 by banks, insurers, pension funds, and other firms that collectively manage \$130 trillion. Despite this, there are still many developing countries that lack well-defined investment programs, based on a pipeline of bankable and affordable projects that are able to make their NDCs a reality.

Policy weaknesses affect the planning of sustainable infrastructure projects and the quality of the project pipeline. This is compounded by a lack of resources and capacity necessary to prepare and structure bankable projects that are attractive to the private sector, as well as foreign currency risks, heightened perception of EMDE country risk, and the inability of governments to offer investment grade assets that can be held by long-term investors.

In an effort to address these issues and scale private capital mobilization, GIF is leading the organization of and collaborating with partners to pilot a number of **Country Platforms**. These are multi-stakeholder efforts to provide private capital mobilization support and increase collaboration among host governments, DFIs, and the private sector to unlock private capital at scale for low-carbon, climate resilient solutions. Country Platforms are country-driven, bringing the private sector, MDBs, and other key partners to the table at the earliest stage to identify obstacles to mobilizing private capital and develop project pipelines that are green, inclusive, and able to attract private finance at scale.

In July 2021, GIF launched the **Country Mobilization Platform Initiative** (GIF-MDB CMP) at the Venice International Conference on Climate Change as a five-year pilot to deliver intensive private capital mobilization to existing Country Platforms. The **GIF-MDB CMP** initiative is being coordinated by the GIF in collaboration with its Advisory and MDB partners. The GIF, in collaboration with the Bloomberg-led **Climate Finance Leadership Initiative (CFLI)**, partnered with Bloomberg, the UK Government, and the City of London, to launch the first in a set of country platform pilot projects, intended to scale private capital on a country-wide level. In September 2021, the **CFLI India Pilot** was [launched](#) with the overarching goal of supporting India's low carbon infrastructure investment goals through capital mobilization and clearer policy frameworks. This country pilot model is in the process of being replicated in other markets to follow.

Such Country Platforms initiatives bring together domestic and international financial institutions in collaboration with the national government and the multilateral community around a well-defined set of high-priority, sector-specific investment projects in EMDEs, with the goal of strengthening enabling environments, building pipelines of bankable infrastructure opportunities, and mobilizing greater sources of capital to meet countries' climate ambitions. **To find out more about this topic from our distinguished speakers, please join the Advisory Council meeting session on Mobilizing Private Capital Through Country Platforms, beginning at 10:00am EST.**

ANNEX I: MDBs & COVID-19 RESPONSE MECHANISMS

African Development Bank (AfDB)	COVID-19 Response Facility
Asian Development Bank (ADB)	COVID-19 Response Initiatives
Asian Infrastructure Investment Bank (AIIB)	COVID-19 Crisis Recovery Facility
European Bank for Reconstruction and Development (EBRD)	CORONA VIRUS Solidarity Package Vital Infrastructure Support Program (VISP)
Inter-American Development Bank (IADB)	COVID-19 IMPACTO
International Finance Corporation (IFC)	COVID-19 Financing Facilities
Multilateral Investment Guarantee Agency (MIGA)	COVID-19 Programme
World Bank	COVID-19 Response
World Bank Group / IMF/ G20	Debt Service Suspension Initiative

ANNEX II: ADVISORY COUNCIL MEETING AGENDA

<p style="text-align: center;">Global Infrastructure Facility Virtual Advisory Council Meeting</p> <p style="text-align: center;"><i>Growth and Transition: Mobilizing Private Capital for the Next Decade of Infrastructure Project Development</i> December 9th, 2021 7:30am - 11:00am EST</p>	
<p>7:30am - 7:50am EST</p>	<p>Welcome</p> <ul style="list-style-type: none"> • Jason Lu, Head, Global Infrastructure Facility <p>Introductory Remarks</p> <ul style="list-style-type: none"> • Daniel Zelikow, Global Co-Head, Infrastructure Finance & Advisory, and Global Head, Public Sector, J.P. Morgan <p>Opening Remarks on the Global Infrastructure Outlook</p> <ul style="list-style-type: none"> • Riccardo Puliti, Vice President for Infrastructure, World Bank
<p>7:50am - 8:20 am EST</p>	<p>A Co-Chair Fireside Chat The GIF's Strategic Vision & Scale Up</p> <p>Speakers:</p> <ul style="list-style-type: none"> • Daniel Zelikow, Global Co-Head, Infrastructure Finance & Advisory, and Global Head, Public Sector, J.P. Morgan • Imad Fakhoury, Global Director, Infrastructure Finance, PPPs & Guarantees Global Practice, Infrastructure Practice Group, World Bank • Jason Lu, Head, Global Infrastructure Facility
<p>8:20am - 9:00am EST</p>	<p>Session 1 The Global Infrastructure Outlook: COVID-19's Impact on Project Pipeline</p> <p>This session will focus the impacts of COVID-19 on infrastructure development and the global economy, and the market trends, opportunities, and challenges in the post pandemic world.</p> <p>Moderator:</p> <ul style="list-style-type: none"> • Angus Leslie Melville, Editorial Director, IJGlobal <p>Speakers:</p> <ul style="list-style-type: none"> • Keith Hennessey, President, Bechtel Enterprises • Karen Fang, Global Head of Sustainable Finance, Bank of America • Amar Bhattacharya, Senior Fellow, Brookings Institution
<p>9:00am - 10:00am EST</p>	<p>Session 2 Blended Finance Market Innovation</p> <p>This session will focus on the strategic use of development finance for the mobilization of additional finance towards sustainable development in developing countries as a crucial element for scaling up private capital towards a green recovery.</p> <p>Moderator:</p>

	<ul style="list-style-type: none"> • Pranab Ghosh, Principal Investment Officer, Blended Finance, IFC <p>Speakers:</p> <ul style="list-style-type: none"> • Emmanuelle Nasse-Bridier, Head of The Urban Resilience Initiative, Meridiam • Vito Dellerba, Director, Sovereign Debt, Fixed Income, CDPO • Juan Echeverri, Senior Infrastructure Finance Specialist, Global Infrastructure Facility
<p>10:00am - 10:55am EST</p>	<p>Session 3 Mobilizing Private Capital Through Country Platforms</p> <p>This session will explore the role of the private and the public sector in the mobilization of capital towards a net-zero future, as well as the concept of Country Platforms, which has emerged as a multi-stakeholder effort to provide enhanced, private capital mobilization support - positioned to increase collaboration among development finance and the private sector and unlock private capital at scale for low-carbon, climate resilient solutions. This session will discuss the importance of these approaches and the key roles of each partner within this collaboration system.</p> <p>Moderator:</p> <ul style="list-style-type: none"> • Jameela Pedicini, Executive Director, Climate Finance Initiatives, Bloomberg LP <p>Speakers:</p> <ul style="list-style-type: none"> • Edwin Syahrzad, Director, PT Sarana Multi Infrastruktur (PT SMI) • John Seed, Head of Project Preparation & Implementation - Sustainable Infrastructure Group, EBRD <i>(TBC)</i> • Alper Kilic, Global Head of Project and Export Finance, Standard Chartered Bank
<p>10:55am - 11:00am EST</p>	<p>Closing Remarks</p> <ul style="list-style-type: none"> • Jason Lu, Head, Global Infrastructure Facility