



# MOBILIZATION OF FINANCING FROM DFI's FOR QUALITY AND SUSTAINABLE INFRASTRUCTURE IN TRANSPORT

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August 2019, Santiago Chile  
Foro Latinoamericano de Infraestructura 2019

## **BIG CHALLENGES**

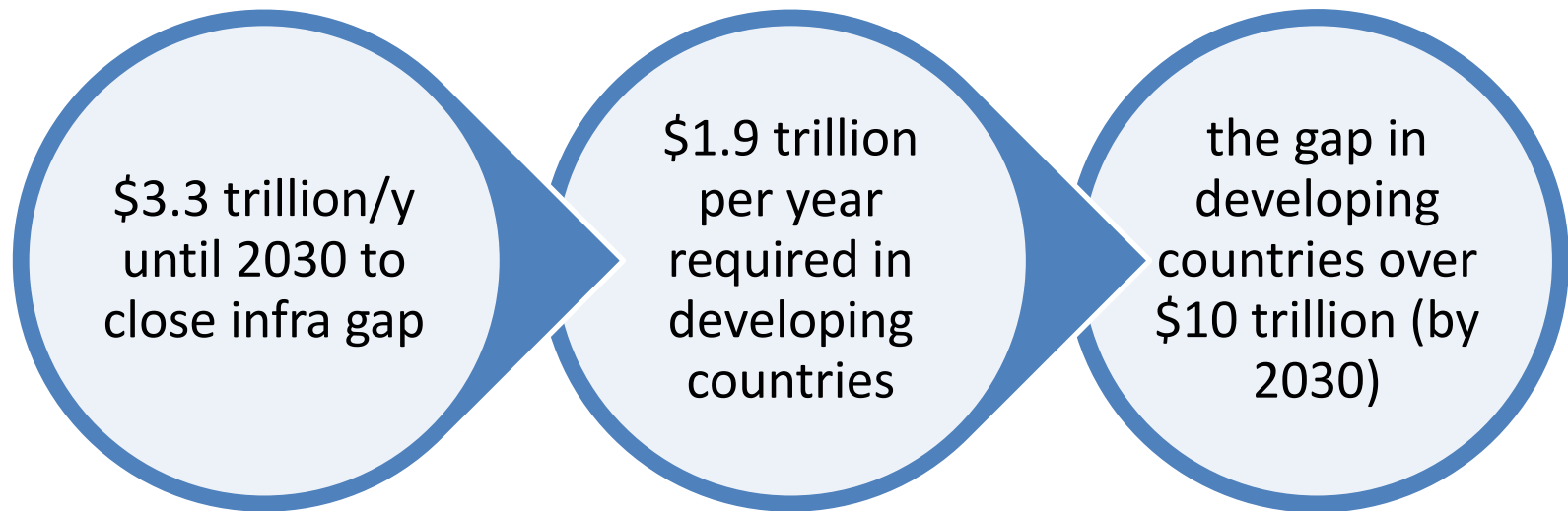
- more than 660 million people lack access to a clean source of drinking water
- water scarcity affects over 40% of the global population and is expected to rise
- several hundred thousand children die each year from preventable water and sanitation related diseases
- approximately one billion people worldwide live without access to electric power
- nearly three billion people use wood, coal, charcoal or animal waste for cooking and heating, causing health risks
- congested and inadequate ports, airports and roadways also impede economic growth
- about one billion people live without access to an all-weather road, restricting health, education, employment and trade.

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## 'Bridging Global Infrastructure Gaps'\*

\*McKinsey seminal 2016 report



MIC and LIC spend only \$1 trillion/year on infrastructure, the vast majority (80%) comes from the public sector

# MAXIMIZING FINANCE FOR DEVELOPMENT

- MfD seeks to leverage the private sector and optimize the use of scarce public resources to finance development projects in a way that is fiscally, environmentally, and socially sustainable



**International Bank for Reconstruction and Development (IBRD)**

1945

*Provides loans, guarantees and technical assistance to middle-income and credit-worthy low-income country governments.*



**International Finance Corporation (IFC)**

1956

*Provides debt / equity to the private sector and provides advisory services to governments to stimulate private sector investment in middle-low income countries.*



**Multilateral Investment Guarantee Agency (MIGA)**

1988

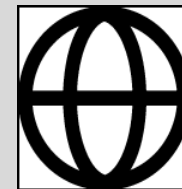
*Provides political risk insurance to the private sector in middle-low income countries (guarantees non-commercial risks of foreign direct investments)*



**International Development Association (IDA)**

1960

*Provides interest-free loans and grants to governments of poorest countries*



**International Centre for Settlement of Investment Disputes (ICSID)**

1966

*Conciliation and arbitration of investment disputes between foreign investors and host countries*

Main role of the public sector partner in a PPP is to **REGULATE** the private sector partner's activities ensuring public interest goals are met and quality of service is maintained



Main role of the private sector partner in a PPP is to **PROVIDE** and **MANAGE** the technical and financial aspects of the project

## WB Services in PPPs

IMPROVE THE SUCCESS RATES OF PPPs

UPSTREAM TECHNICAL AND FINANCIAL/FISCAL ANALYSIS  
SUPPORT TO INSTITUTIONAL & REGULATORY REFORMS

STRUCTURING & IMPLEMENTATION  
INVESTOR MARKETING  
TRANSACTION CLOSING

FINANCING & GUARANTEES

ENVIRONMENTAL & SOCIAL SUSTAINABILITY

## SPECIFIC CHALLENGES IN TRANSPORT

- Even when private money does go to transport projects, ports and airports typically claim most of investment. As a result, there is significant underinvestment in roads and urban transport systems, two of the infrastructures that are most widely used worldwide.
- In fact, the G20 estimates that roads account for more than half of the US\$15 trillion investment gap in infrastructure through 2040.
- Many constraints: i) revenues in local currency, creating an immediate barrier to cross-border financing; (ii) high environmental and social risks; (iii) long preparation and implementation times; and (iv) competition from other modes.



## **SPECIFIC CHALLENGES IN TRANSPORT**

- Specific risks in Roads: (i) low share of the market and alternative routes; (ii) tariff setting and the political risks; (iii) uncertainty of traffic/passenger forecasts;
- Specific risks in urban transport: (i) low coverage of capex and opex; (ii) high upfront costs; (iii) demand risks; (iv) high variability in contracts; and (v) market fragmentation;
- Common to both iv) limited players with expertise for operations; (v) market capture; (vi) low technical expertise of some client countries.

- <https://ppp.worldbank.org/public-private-partnership/three-ways-to-partner-cities-and-municipalities-to-mobilize-private-capital-for-infrastructure-a-look-at-latin-america>
- <https://ppp.worldbank.org/public-private-partnership/sites/ppp.worldbank.org/files/documents/A%20PRELIMINARY%20REVIEWS%20OF%20TRENDS%20IN%20SMALL-SCALE%20PUBLIC-PRIVATE%20PARTNERSHIP%20PROJECTS.pdf>
- <http://www.iflr.com/pdfs/IFC-Book-May-17-2018.pdf>