Who is responsible for delivering Quality Infrastructure?

Infrastructure: Power, Transport, Water and ICT Commitments, FY8-FY15Q1

- WBG averaged $20b in infra commitments per year over the last 3 years + c.$10b of leverage from private sector
  - $15.2b per year from WB (+ leverage of c. $1b)
  - $3b per year from IFC (+ leverage of c. $6b)
  - $1.7b per year from MIGA (+ leverage of c. $3b)
- Over one-third of WB infrastructure investments are in urban assets
MDB and PPI financing only represent 15 – 20 % of EMDE infrastructure investment flows globally

About 60% of debt and 30% of equity in PPPs come from public financial institutions and other government agencies.

MDBs are relatively small financiers of infrastructure in EMDEs

Despite the rhetoric, private flows into infrastructure are decreasing, not growing

Continued complexity of PPPs
- Unpredictable regulation
- Insufficient prices
- Government technical capacity
- Non-standard contracts
- Land acquisition issues
- Myriad sovereign and sub-sovereign risks

Market Conditions
- Currency devaluations
- Slowing growth
- Market volatility
- Rising country risk ratings
- Rising interest rates
- New prudential/financial regulations
Quality is in the Eye of the Beholder (Stakeholder)

**Consumer**
- Access
- Reliability
  - Construction + maintenance
- Affordability

**Society**
- Environmental / Resilience
- Social
- Fiscal

**Global Community**
- Climate Impacts
- Technology Transfer

**Economic Regulator**
- Equilibrium: the Cost of Capital and the IRR

**Investor**
- Debt performance
  - Default & recovery
- Risk adjusted returns
- Reputational risks

**Service Provider**
- Efficiency
- Continuity (Financial and Operational)

**Key Themes**
- Some Quality indicators are complementary across stakeholders
  - E.g., Social and environmental quality for society and Reputational risk concerns of investors
- Other Quality indicators may require policy decisions to weigh trade-offs
  - E.g., Consumer affordability, Fiscal affordability vs. Investor returns
- Quality requires Life-cycle perspective
  - Environmental, Social, Financial and Economic Sustainability
  - Benefits accrue over time, costs need to be amortized
Time is what worries private sector with infrastructure in EMDEs

Correlation between the predicted value of PPI Greenfield/GDP and Country Risk

Correlation between the predicted value of PPI Concessions/GDP and Country Risk

Correlation between Country Risk and predicted value of FDI/GDP

Source: Araya, Schwartz & Andres (2013)

...as compared with FDI
Impact of attention to quality (economic and performance regulation) on infrastructure over time

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<th>Distribution Losses</th>
<th>Labor Productivity</th>
<th>Frequency of Interruptions</th>
<th>Duration of Interruptions</th>
<th>Operational Expenditures</th>
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