

Quality Infrastructure

The World Bank and GIF

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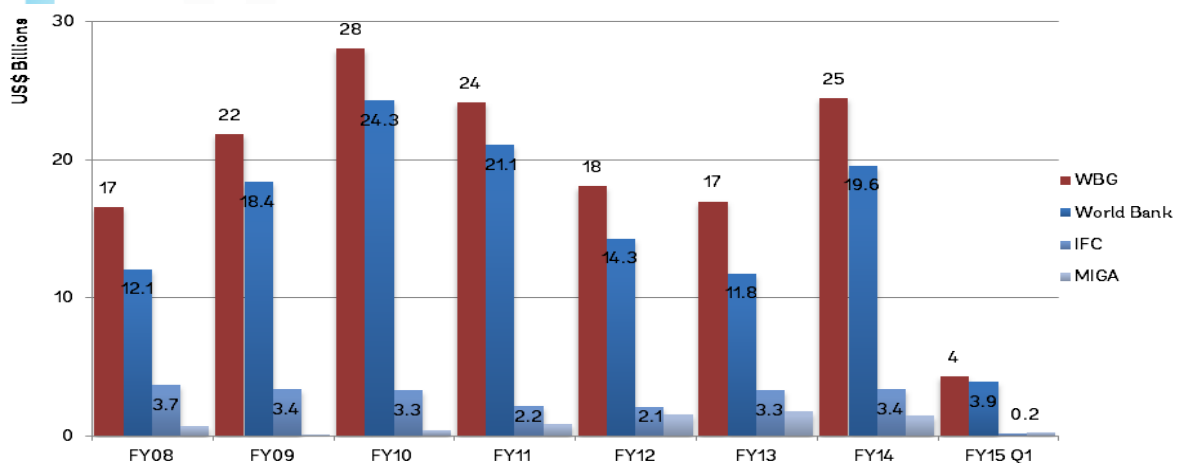
Tokyo

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Who is responsible for delivering Quality Infrastructure?

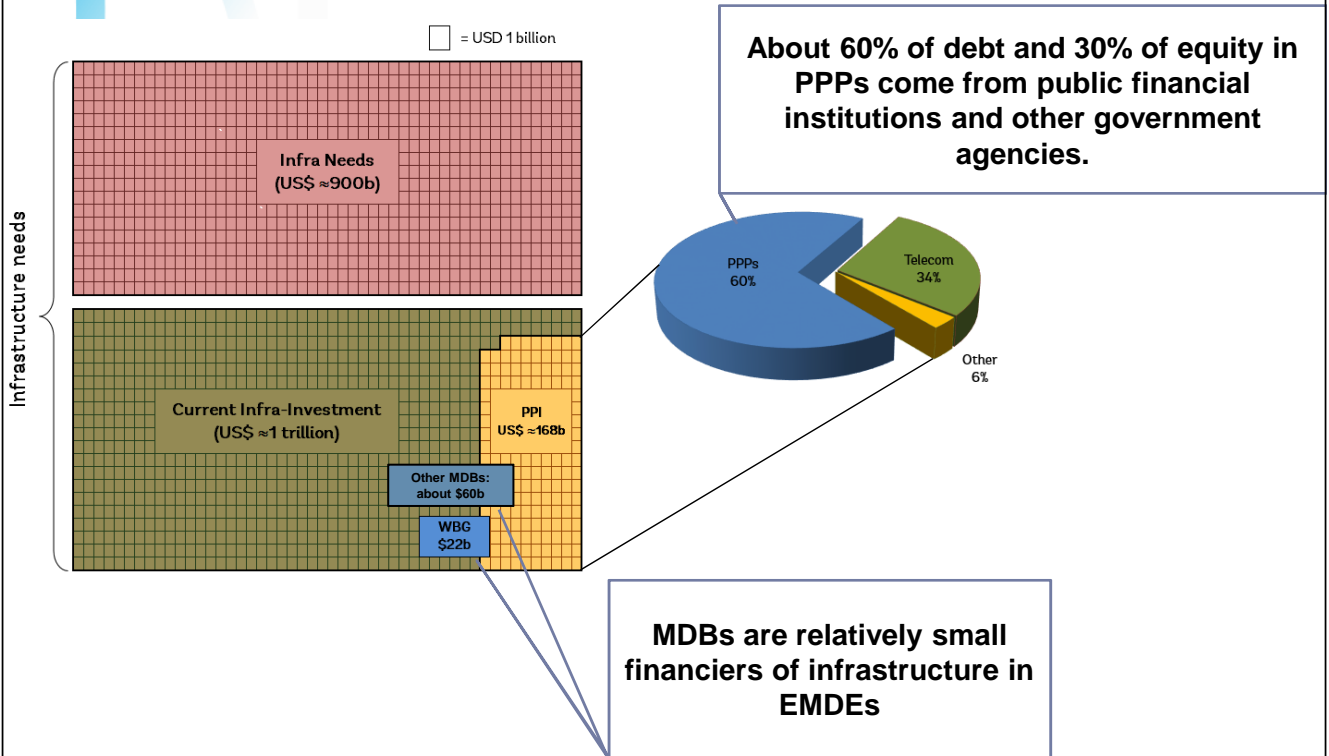
Infrastructure: Power, Transport, Water and ICT Commitments, FY8-FY15Q1



- 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

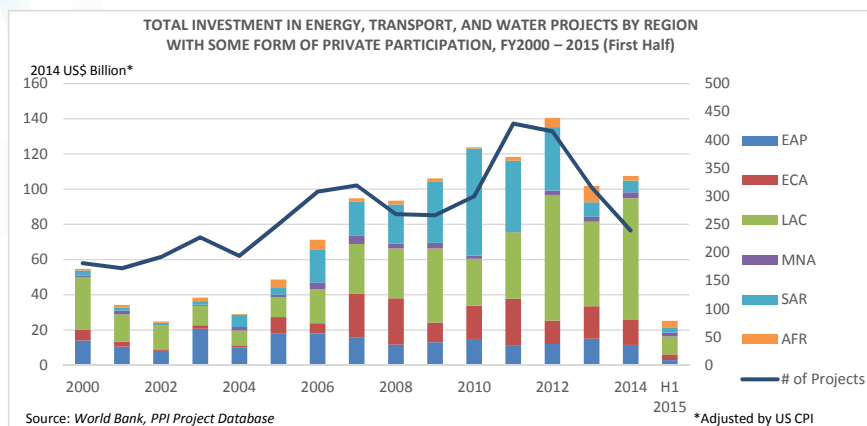


MDB and PPI financing only represent 15 – 20 % of EMDE infrastructure investment flows globally



PPPs in Asia are even smaller share of total infra investment--c. 2% to 5%--than other regions

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



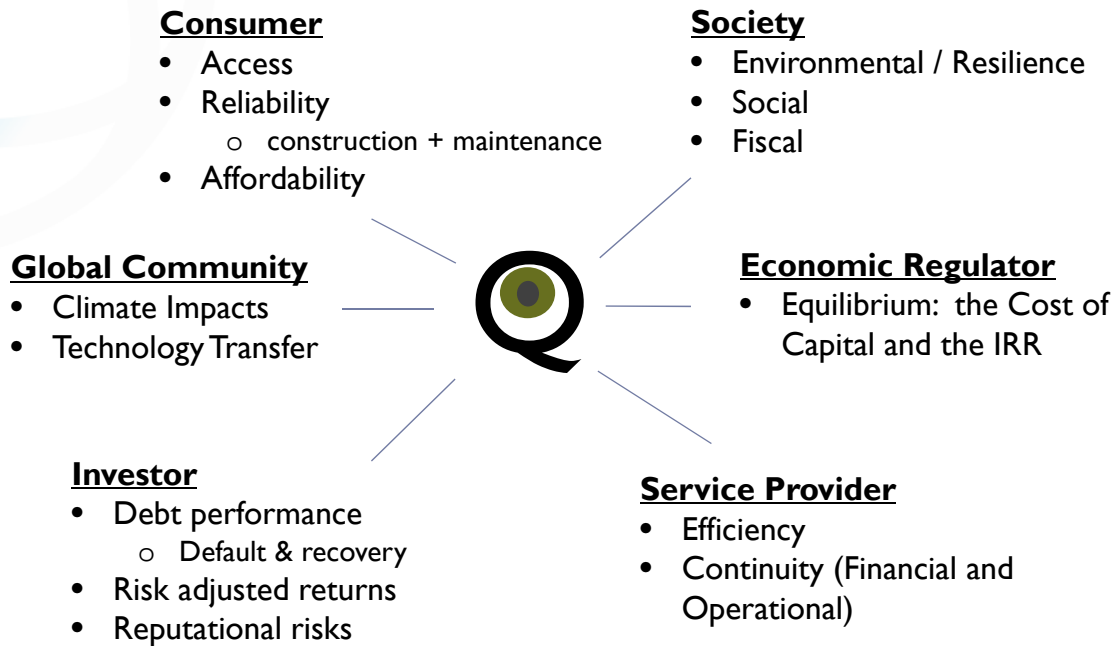
Continued complexity of PPPs

- 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)



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Key Themes

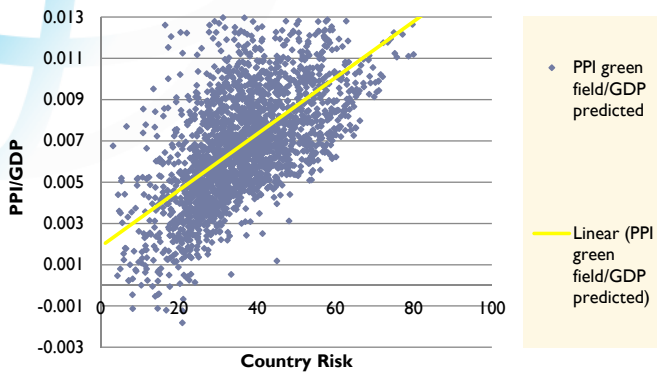
- Some Quality indicators are complementary across stakeholders
 - E.g., Social and environmental quality for society and Reputational risk concerns of investors
- Other Quality indicators may require policy decisions to weigh trade-offs
 - E.g. Consumer affordability, Fiscal affordability vs. Investor returns



- Quality requires Life-cycle perspective
 - Environmental, Social, Financial and Economic Sustainability
 - Benefits accrue over time, costs need to be amortized

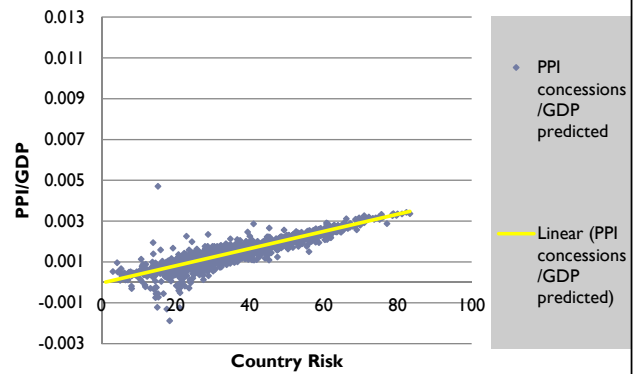
Time is what worries private sector with infrastructure in EMDEs

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



Source: Araya, Schwartz & Andres (2013)

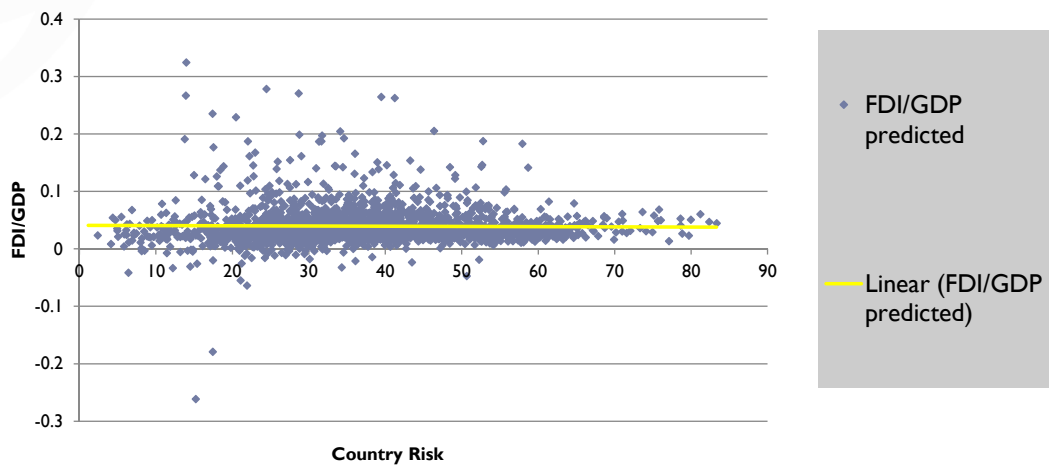
Correlation between the predicted value of PPI Concessions/GDP and Country Risk



Source: Araya, Schwartz & Andres (2013)

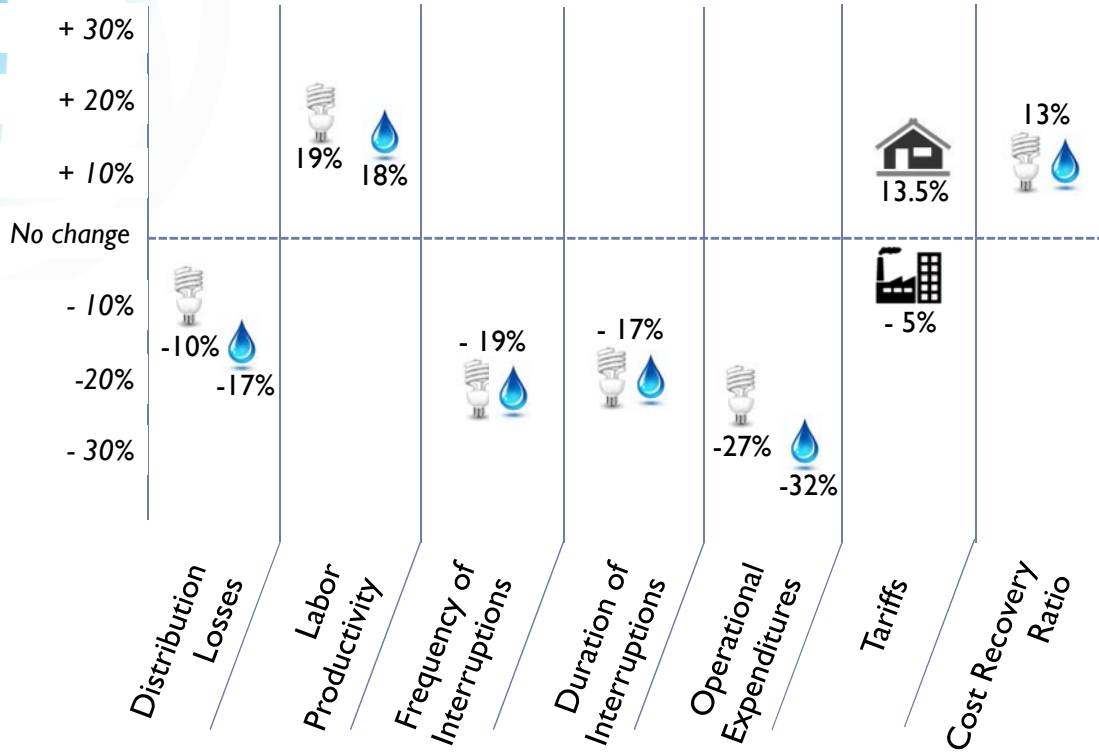
...as compared with FDI

Correlation between Country Risk and predicted value of FDI/GDP



Source: Araya, Schwartz & Andres, World Bank (2013)

Impact of attention to quality (economic and performance regulation) on infrastructure over time



Source: Andres, Schwartz & Guasch, "Uncovering the Drivers of Utility Performance," World Bank; Andres & Lopez-Azumendi, World Bank.