

Infrastructure Asia

Thought Leadership Article Submission

Private Investments and Sustainable Infrastructure

Why Private Sector Investment in Sustainable Infrastructure is Essential: The GIF's Global Collaboration Platform

Why private investment is essential

Investing in sustainable infrastructure is essential for reigniting global growth after the economic impact of the COVID-19 pandemic, along with addressing the world's other great challenges of attaining the Sustainable Development Goals (SDGs) and reducing climate change risk. However, public financing alone will not be enough. Crowding-in private sector finance will be crucial to supporting infrastructure development as it will boost overall financing resources and transfer important technical expertise to governments and others.

Current estimates suggest the world faces a US\$15 trillion gap for providing adequate global infrastructure by 2040,¹ and that developing countries need to invest about 4.5 percent of GDP to achieve infrastructure-related SDGs and stay on track to limit climate change.² In light of the enormous need for infrastructure to support growing populations, urbanization, and the ambitions of people to improve their livelihoods, constrained government fiscal resources must be combined, where appropriate, with private financing to bridge the enormous infrastructure investment gaps.

Furthermore, emerging markets and developing economy (EMDE) governments are particularly in need of private sector resources as they are faced with intense fiscal pressures due to the COVID-19 pandemic, the escalating and localized impacts of climate change, and the propensity for natural disasters and the costs of reconstruction in their aftermath. Currently, however, private investment's contribution to global investment in developing-country infrastructure remains quite small, at only 0.67 percent as of 2020,³ but fortunately, some innovative and timely initiatives are underway to help attract private investors able to catalyze a sustainable infrastructure transformation.

The GIF's unique global collaboration platform and sustainable infrastructure

Although the infrastructure sector has been traditionally carbon-intensive, there is an extraordinary opportunity for governments across the globe to "build back better" as we emerge from the COVID-19 pandemic. As we seek to integrate sustainable, resilient dimensions into future infrastructure projects and programs or retrofit older ones, the opportunity to jointly leverage the comparative advantages of the public and private sectors will allow for innovative and affordable long-term infrastructure solutions.

Recognizing the key role infrastructure plays in driving inclusive economic growth, social progress, and climate action—and the GIF's essential role in the ecosystem, the GIF's unique Global Collaboration Platform has been convening its diverse partnership network, consisting of MDBs, DFIs, private sector, donors, and beneficiary countries, to "cross-pollinate" by sharing their market insights and technical expertise on a regular basis. Partnership engagements include market soundings, pipeline opportunities and specific programs and projects

¹ [Global Infrastructure Hub](#) of the G20.

² Beyond the Gap – How Countries Can Afford the Infrastructure They Need while Protecting the Planet, [World Bank](#), 2019.

³ [Private Participation in Infrastructure Database](#), World Bank.

being brought to market, as well as dialogues on market trends and developments in EMDEs. In this way, the GIF is helping to accelerate the uptake of new knowledge in the sustainable infrastructure space and surface solutions to building more sustainable and resilient infrastructure and the attain the SDGs.

Additional collaborations and partnerships undertaken by the GIF have been indispensable to expanding the scope of knowledge on the private sector and sustainable investment opportunities. For instance:

The [FAST-Infrastructure initiative](#) is a public-private initiative bringing more than 50 organizations together to push for collective action to mobilize private finance and de-risk investments in sustainable infrastructure in developing countries. A 2020 initiative developed under the auspices of French President Emmanuel Macron's One Planet Lab, the GIF is working closely with the Climate Policy Initiative (CPI), HSBC, the International Finance Corporation (IFC) and the Organization for Economic Co-operation and Development (OECD) on the joint venture. A cornerstone of the FAST-Infra initiative is the creation of a Sustainable Infrastructure (SI) Label, which the GIF, together with Macquarie Green Investment Group, is Co-Chairing. The SI Label has been designed to enable project sponsors, developers, and owners to signal the positive sustainability impact of infrastructure assets, and attract investors seeking assets which positively contribute to sustainable outcomes.

The SI Label differentiates itself from other certification schemes in that it seeks to provide consistent, globally applicable guidance—built and curated from over 20 existing standards, framework, and taxonomies in the ecosystem, as well as additional mapping to the SDGs and G20 QII Principles—on evaluating the sustainability of infrastructure on an asset-level. The SI Label is meant to be complementary to other existing schemes and reporting standards in the market and provides additionality by raising the level of ambition of what is considered “sustainable” and applying it to the asset-level, rather than the use of proceeds tied to financing instruments.

The GIF also launched two joint publications in 2021. The first, co-published with Swiss Re Institute, [Closing the Infrastructure Gap](#), found among other things that infrastructure investment plays a crucial role in stabilizing EMDEs and that access to basic infrastructure services will act as a driver for economic development in the aftermath of the COVID-19 pandemic. In the context of climate change, lasting, damaging effects on existing and planned core infrastructure should be expected. Furthermore, despite the growing evidence on the need for accelerated investments in sustainable, quality infrastructure, investments remain staggeringly low. A second joint report with Climate Finance Leadership Initiative (CFLI) and European Finance Development Initiative (EFDI), [Unlocking Private Climate Finance in Emerging Markets: Private Sector Considerations for Policymakers](#), highlighted a number of concrete opportunities for policymakers to accelerate private climate finance ahead of COP26, including identifying sector-specific opportunities, policy barriers and priorities that can help unlock private sector climate finance.

With over US\$80 trillion held by pension funds, sovereign wealth funds, mutual funds, and other institutional investors, it is clear that making sustainable infrastructure a viable investment proposition, especially in EMDEs, is vital. Notable, is that EMDE governments have been increasingly turning to institutional investors to provide critical financing to support infrastructure development, making them alternative sources of financing to help fill the infrastructure investment gap.⁴ However, much more needs to be done to attract private actors to sustainable and quality infrastructure investments on a global scale and that is why partnerships such as the FAST-Infra initiative demonstrates the importance of collaboration for creating viable pathways for closing the infrastructure investment gap and promoting sustainable, inclusive growth.

⁴ Swiss Re and Global Infrastructure Facility –[Closing the Infrastructure Gap: Mobilising Institutional Investment into Sustainable, Quality Infrastructure in Emerging Markets and Developing Economies \(EMDEs\)](#), 2020.