

1. Private investment in infrastructure



Key findings

1. Over the past seven years, private investment in infrastructure projects in primary markets has remained stagnant, and lower than it was 10 years ago.
2. Private investment in infrastructure projects remained resilient to pandemic shocks in 2020 at USD156 billion (84% of which was privately financed). This represents 0.2% of total global GDP, far shy of the 5% of GDP (combining public and private investment) that some studies show is required to close the infrastructure gap. It also pales in comparison to the USD3.2 trillion of public investment in infrastructure stimulus that has been announced by G20 governments in response to the COVID-19 crisis, as identified in the GI Hub's InfraTracker (GI Hub, 2021).
3. About three-quarters of private investment in infrastructure projects occurs in high-income countries and was unhindered by the pandemic. Half of this investment occurs in renewable energy generation.
4. Middle- and low-income countries attract only a quarter of the global private investment in infrastructure projects and saw a 28% decline in private investment in 2020. Most of this investment occurs in the non-renewable energy and transport sectors.
5. Lockdowns and restrictions in 2020 negatively impacted investments in the transport and energy sectors, while pandemic control and online activities contributed to the increase in investment in the social and telecommunications sectors.
6. Even in the midst of the pandemic, investors showed strong appetite for renewables, with the sector attracting almost 50% of total private investment in infrastructure projects in 2020 – mostly in wind and solar projects.
7. Financial services providers, primarily commercial and investment banks, finance the largest share of the investment across all regions. About 80% of private investment in infrastructure projects is financed by debt. While loans represent 87% of debt financing, projects in developed economies are increasingly using debt capital markets. In particular, financing through green bonds has been rising in recent years, particularly in high-income countries.



Private investment in infrastructure projects in primary markets remained resilient to pandemic shocks in 2020.

- In 2020 several sectors were significantly affected by the COVID-19 pandemic. Although the pandemic also impacted the infrastructure sector, the impact was not as significant as in other sectors such as tourism or services.
- The decrease in the transport and energy sectors, due to lockdowns and restrictions, was almost offset by the growth in the social and telecommunications sectors that was driven by pandemic control and online activities.
- In that context, global private investment in infrastructure projects in primary markets fell 6.5% in 2020.
- Private investment in infrastructure projects in primary markets in 2020 was USD156 billion, which represents 0.2% of total global GDP – a value that is far shy of the 5% of GDP (combining public and private investment) that some studies show is required to close the infrastructure gap.

Private investment in infrastructure projects in primary markets
(USD bn and number)



Source: Global Infrastructure Hub based on ICD/Global data

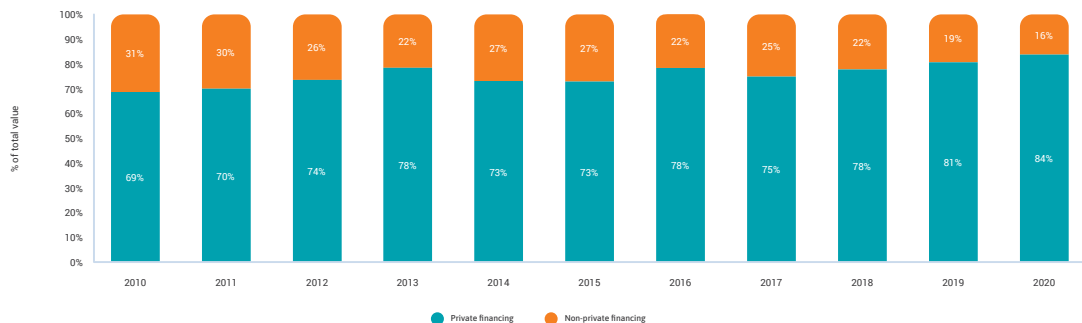
Note: Throughout this report, "private investment in infrastructure projects" refers to private sector investment in infrastructure projects in primary markets (financed by private and public financing) including greenfield and brownfield infrastructure, as well as privatisations, unless otherwise specified. Investment values represent commitments made at the financial close of investment and not associated investment.

As there have been significant methodological improvements implemented in Monitor 2021, the figures presented here are not directly comparable to those presented in Monitor 2020.



Most private investment in infrastructure projects in primary markets is financed by the private sector, whose share has been steadily increasing to reach a decade-high in 2020.

Private investment in infrastructure projects in primary markets by type of financing
(% of total value)



Source: Global Infrastructure PwB based on IGlobal data

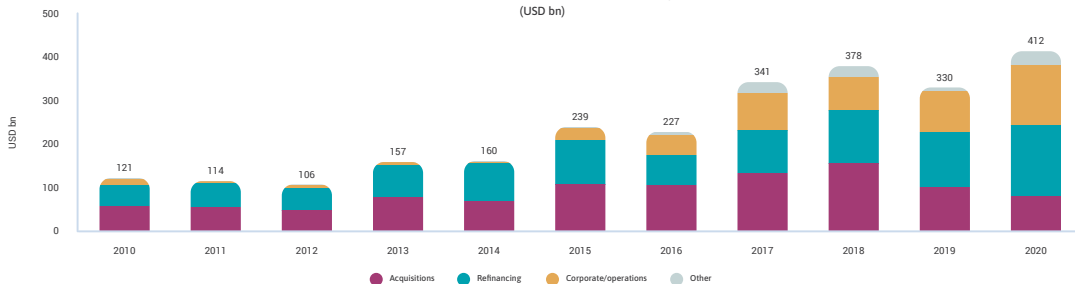
Note: Non-private financing includes financing from institutions such as development banks (multilateral and national), export credit agencies, and the public sector (such as government authorities and state-owned enterprises).

Private investment in infrastructure in secondary markets continued to grow despite the pandemic.

- Private investment in infrastructure within the secondary market has seen a trend increase over time, almost quadrupling the levels seen at the beginning of the decade. This reflects the growth of infrastructure as an asset class and the increasing trend towards active portfolio management across all private markets, with the secondary market servicing changing investor needs and preferences over time, particularly considering the long holding periods of infrastructure assets.

- Secondary private investment in infrastructure rose by 25% in 2020, to USD412 billion across 927 transactions. This mainly reflects the needs of investors for more mature investments, particularly in a context where primary transactions are facing economic uncertainty.
- Refinancing has been increasing over time, with investors taking advantage of a low interest rate environment. In 2020, shutdowns, revenue losses, tightened liquidity, and lower interest rates due to the crisis may have led to the increase in refinancing.
- Acquisitions fell for the second consecutive year in 2020, to record their lowest share of secondary transactions in a decade (19%). Pandemic-induced uncertainty may have contributed to the cancellation or postponement of a number of acquisition deals.

Private investment in infrastructure in secondary markets
(USD bn)



Source: Global Infrastructure Hub based on UGGlobal data

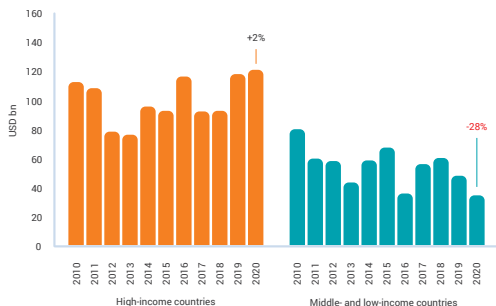
Note: Other includes securitizations, and transactions for more than one purpose. Corporate / operations refers to financing by infrastructure companies for general corporate purposes and ongoing operations. It should be noted that the observed increase since 2014 reflects, to some degree, improved data coverage for this component by UGGlobal in more recent years.



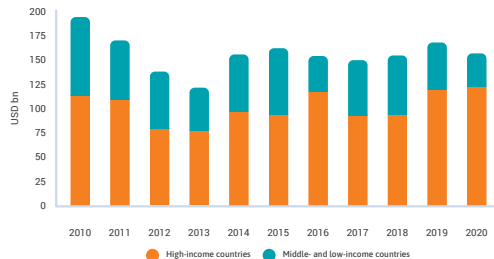
Most private investment in infrastructure projects occurs in high-income countries and was unhindered by the pandemic, but private investment in infrastructure projects declined in middle- and low-income countries.

- High-income countries typically attract around three-quarters of global private investment in infrastructure projects. In 2020, 78% of private investment in infrastructure projects occurred in high-income countries, and only 22% in middle- and low-income countries. To put this in perspective, high-income countries represent around 60% of global GDP and have about 50% of total public and private investment in infrastructure.
- The 2020 decline in private investment in infrastructure projects was driven by middle- and low-income countries, which saw investment fall by 28%, while investment in high-income countries rose by 2%.

Private investment in infrastructure projects by income group 2010-2020
(USD bn and % growth in 2020)



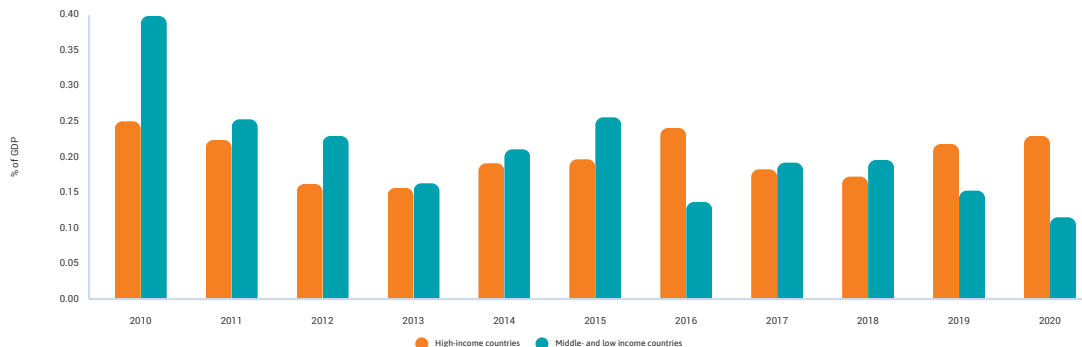
Private investment in infrastructure projects by income group
(USD bn)



The decline in private investment in infrastructure projects in middle- and low-income countries started before the pandemic.

- At the beginning of the decade, private investment in infrastructure projects in middle- and low-income countries was around 0.4% of GDP, compared with 0.25% in high-income countries.
- Over time, private investment in infrastructure projects in middle- and low-income countries has declined significantly to around 0.11% of GDP in 2020, while it has remained broadly stable in high-income countries.

Private investment in infrastructure projects by income group
(% of GDP)



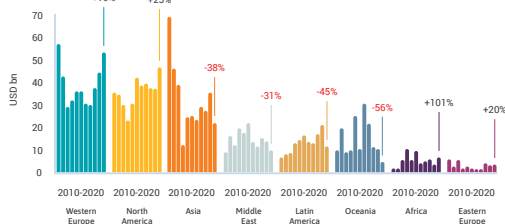
Source: Global Infrastructure Hub based on IGlobal data



In 2020, the decline in private investment in infrastructure projects in some regions was significantly offset by increases in others.

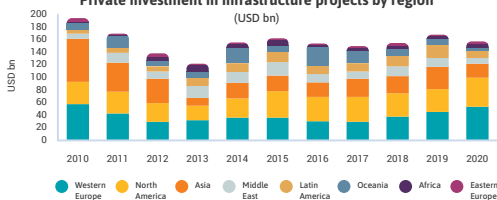
- Private investment in infrastructure projects occurs differently among regions of the world, with developed regions recording significantly higher levels of investment compared with developing regions.
- Western Europe and North America have the highest levels of private investment in infrastructure projects (together accounting for around 60% of investment) and this participation has remained consistent over the years. At the same time, these regions have seen an increase in private investment in infrastructure projects in 2020 despite the pandemic.
- Their increase (together with Africa and Eastern Europe) almost offsets the decreases in other regions resulting in a 6.5% drop of total private investment in infrastructure projects in 2020.
- Oceania was the most affected region (-56%), falling to a decade-low, mainly due to a decrease in transport investment.
- Private investment in infrastructure projects in Africa doubled between 2019 and 2020, albeit from a low base, mainly driven by the financial closure of the Cairo Monorail project.

Private investment in infrastructure projects by region, 2010-2020
(USD bn and % growth in 2020)



Source: Global Infrastructure Hub based on IIGlobal data

Private investment in infrastructure projects by region
(USD bn)



Source: Global Infrastructure Hub based on IIGlobal data





Priorities vary depending on income group. In high-income countries, half of private investment in infrastructure projects occurs in renewable energy, while in middle- and low-income countries, two-thirds occurs in transport and non-renewable energy.

In high-income countries, almost 55% of the private investment in infrastructure projects went to renewable energy generation in 2020. In middle- and low-income countries, that percentage was only around 20% in 2020 compared to over 25% for non-renewable energy generation.

Private investment in infrastructure projects by sector and income group, 2020
(USD bn)

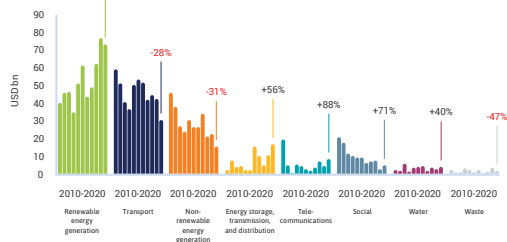


Source: Global Infrastructure Hub based on UGlobal data.

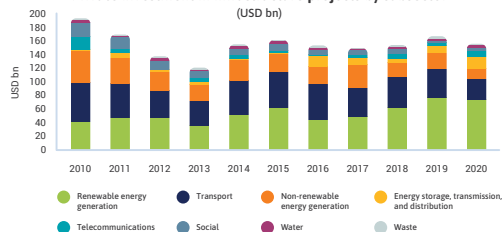
Lockdowns and restrictions in 2020 negatively impacted investments in the transport and energy sectors, while investment increased in sectors relating to pandemic control and online activities, like social infrastructure and telecommunications.

- Private investment in infrastructure projects occurs differently among subsectors, with renewables attracting the most investment and more than doubling its share from 21% in 2010 to 47% in 2020.
- Transport is the second largest sector in terms of investment share. However, unlike renewables, its share has decreased from 30% in 2010 to 20% in 2020.
- Decreasing trends can be observed for the social and non-renewable energy subsectors over the past decade, particularly the social infrastructure share, which has decreased from 11% in 2010 to 3% in 2020.
- In 2020, the behaviour of private investment in infrastructure projects by sectors aligns with the effects of the pandemic. The sectors adversely affected were those impacted by lockdowns and restrictive measures, such as transport and energy generation, while private investment in infrastructure projects increased in sectors relating to pandemic control and online activities, such as social and telecommunications.
- Private investment in telecommunications and social infrastructure projects each almost doubled in 2020, albeit from a low base.

Private investment in infrastructure projects by subsector, 2010-2020
(USD bn and % growth in 2020)



Private investment in infrastructure projects by subsector
(USD bn)



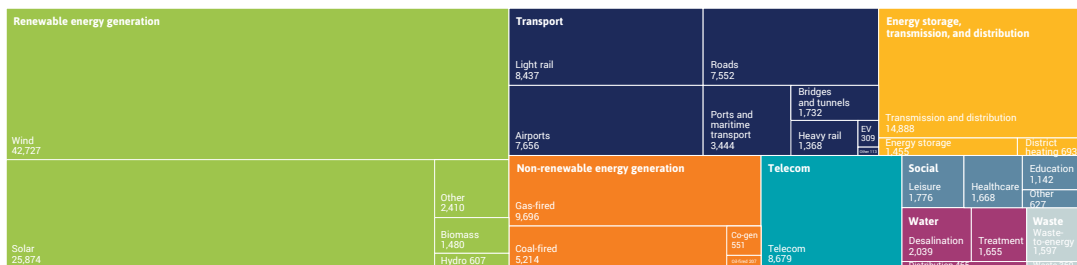
Source: Global Infrastructure Hub based on OGI Global data



Despite falling in 2020, renewables continued to attract most of the private investment in infrastructure projects, particularly into wind and solar projects ...

- Despite the pandemic, investors showed strong appetite for renewables, with the sector attracting the largest share of total private investment in infrastructure projects in 2020 (47%) – almost five times the share of non-renewables (10%) and mostly in wind and solar projects.
- The renewables sector has been dominant for much of the past decade, attracting an average 34% of total private investment in infrastructure projects each year – a share that has been increasing over time, rising from 21% in 2010 to a decade-high of 47% in 2020. This share has also been consistently higher than non-renewables, with the gap expanding since 2017 due to the continuous decrease in renewable energy costs and an increase in investments aligned with the Paris Agreement.

Private investment in infrastructure projects by subsector, 2020
(USD m)



Source: Global Infrastructure Hub based on UGlobal data.

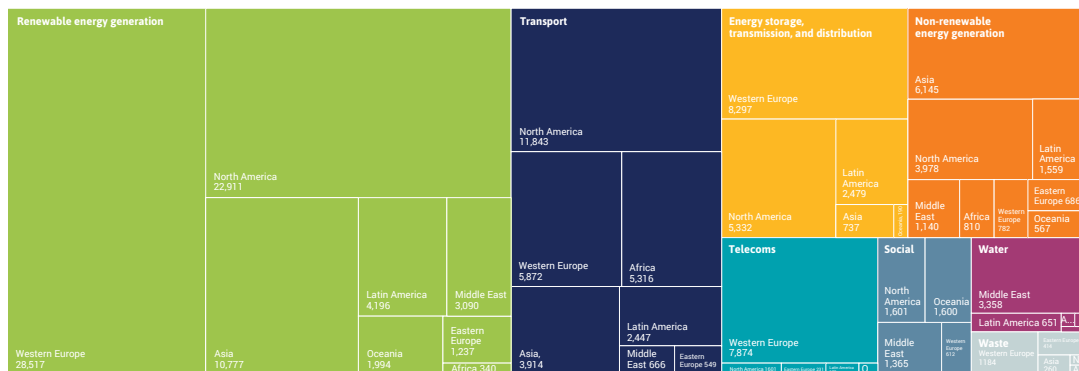
Note: Other renewables includes biofuels, hydrogen, geothermal, marine and others. Other social includes prisons, leisure facilities, municipal street lighting, and others. Other transport includes parking facilities and others.



... and mainly within Western Europe and North America.

In 2020, more than 90% of private investment in renewable projects was in wind and solar, concentrated in Western Europe and North America.

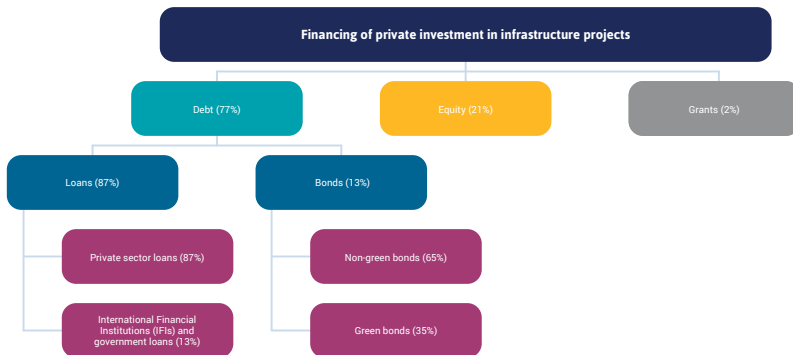
Private investment in infrastructure projects by sector and region, 2020
(USD m)



Source: Global Infrastructure Hub based on UGGlobal data.

Private investment in infrastructure projects is primarily financed by debt, mostly loans ...

Private investment in infrastructure projects by instrument type, 2010-2020
(% of total value)

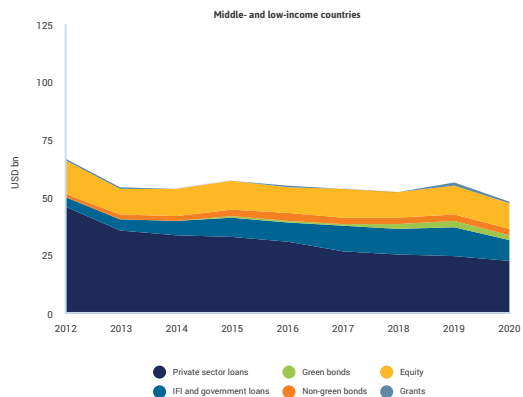
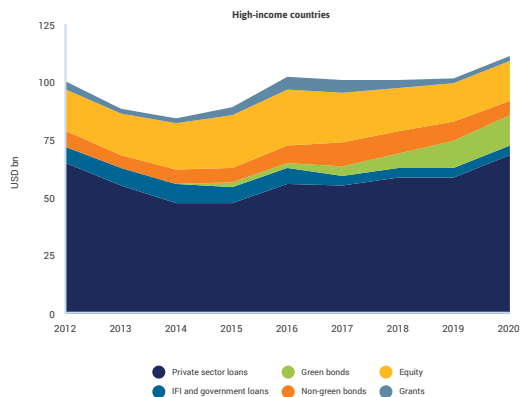


Source: Global Infrastructure Hub based on IGlobal data.

Note: International Financial Institutions (IFI) and government loans include lending from development banks (multilateral and national), export credit agencies, and the public sector (such as government authorities and state-owned enterprises).

... but financing through green bonds has been rising in recent years, particularly in high-income countries ...

Private investment in infrastructure projects by instrument type and income group
(3-year moving average, USD bn)

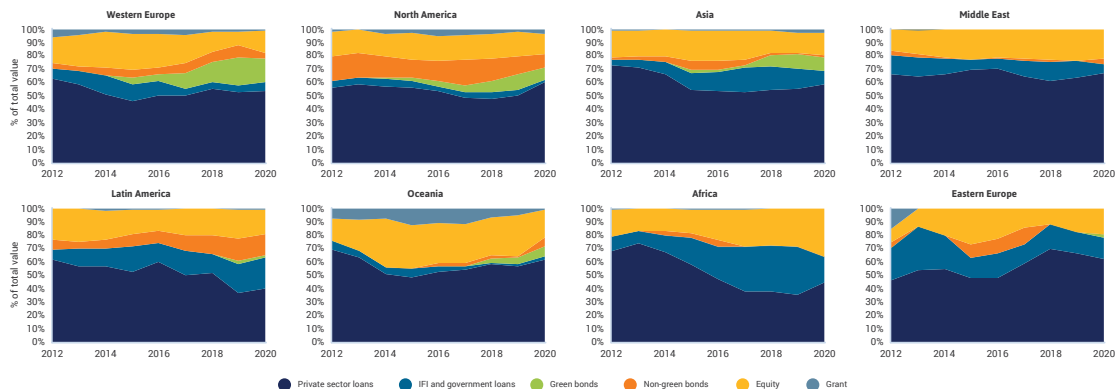


Source: Global Infrastructure Hub based on UGlobal data.



... most notably in Western Europe, North America, and Asia.

Private investment in infrastructure projects by instrument type and region
(3-year moving average, % of total value)



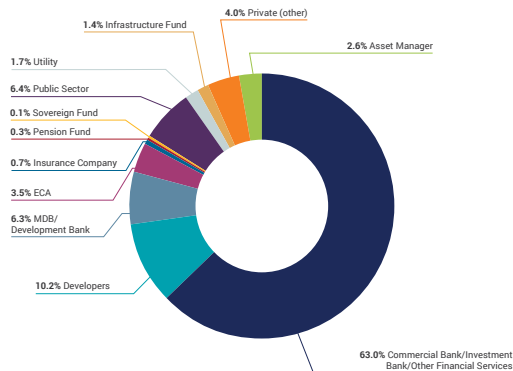
Source: Global Infrastructure Hub based on IGlobal data.



Private investment in infrastructure projects is mostly financed by financial services institutions, primarily commercial and investment banks.

- Financial services providers, primarily commercial and investment banks, finance 63% of the private investment in infrastructure projects.
- Developers are the second largest type of financier (10.2%) mostly in the form of equity.
- Insurance companies and pension funds directly finance only 1% of private investment in infrastructure projects. They can, however, participate indirectly through unlisted funds and capital markets and have more direct participation in secondary markets.

Private investment in infrastructure projects by financier, 2020
(% of total value)



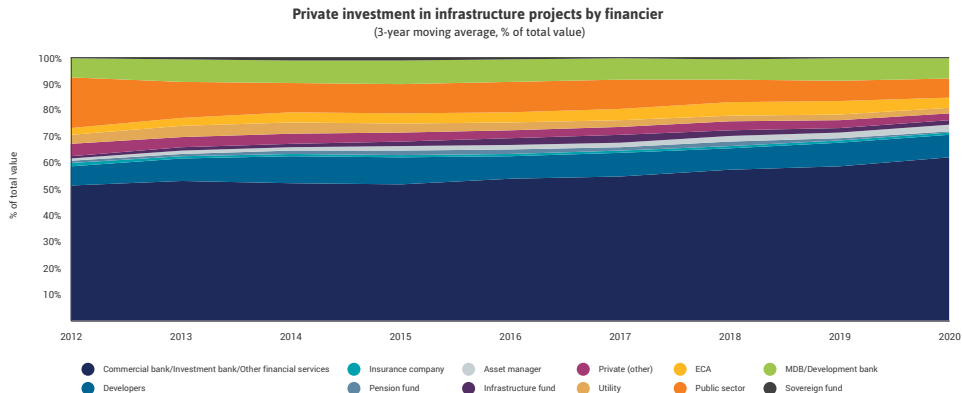
Source: Global Infrastructure Hub based on IIGlobal data.

Note:

1. ECA = Export Credit Agency, MDB = Multilateral Development Bank, Developers = Developer/Engineering Procurement/Construction firm, Asset Manager = Asset managers, fund managers, and private equity firms.
2. Other Financial Services includes institutions such as financial advisory firms and hedge funds, and excludes insurance companies, pension funds, and asset managers which are included as their own category for the purpose of this analysis.

Their role as financiers has increased over time, while the public sector has reduced its financing.

Private financiers have played an increasing role in financing private investment in infrastructure projects. In contrast, within non-private financiers, the public sector has decreased its role over time, while development banks' share has remained broadly stable.



Source: Global Infrastructure Hub based on UGlobal data.

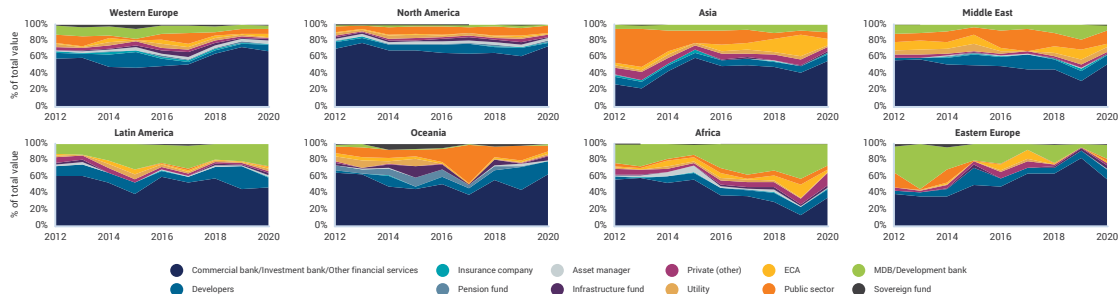


However, these trends vary by region.

- Financial service institutions, primarily commercial and investment banks, are the largest financiers across all regions, particularly North America. However, their participation in Africa has decreased over time.

- Although to a lesser extent than commercial banks, the public sector is an active financier in the Middle East and Oceania. However, its financing is very limited in Latin America and Eastern Europe.
- ECAs appear to have more active participation as financiers in Asia, the Middle East, and Africa.
- Although direct financing from institutional investors in primary markets is very limited in most regions, they have more active direct participation within developed regions like Oceania, Western Europe, and North America.

Private investment in infrastructure projects by financier and region
(3-year moving average, % of total value)

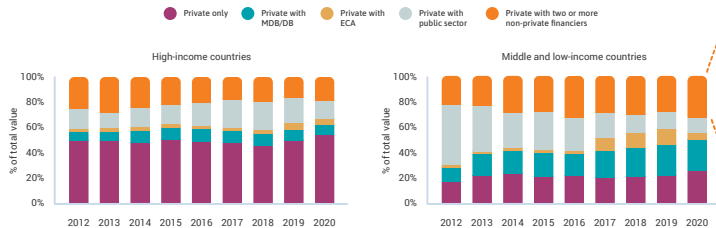


Source: Global Infrastructure Hub based on UGGlobal data.

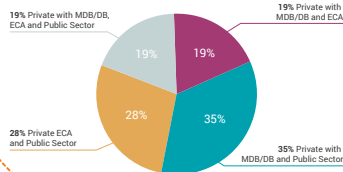
Despite private financiers increasing their role, 75% of transactions in middle- and low-income countries need financing from non-private actors such as development banks, export credit agencies, or the public sector.

- Although private financiers have increased their role over time, non-private institutions such as development banks (MDBs/DBs), export credit agencies (ECAs), and the public sector play a significant role as financiers, especially in middle- and low-income countries.
- In high-income countries, more than half of private investment in infrastructure projects is financed by the private sector alone, while in middle- and low-income countries only 25% of private investment in infrastructure projects is financed by the private sector alone.
- Non-private institutions play a much greater role as financiers in middle- and low-income countries. 75% of private investment in infrastructure projects in these markets occurs in projects that involve both private sector and non-private sector financing – most commonly private financiers and MDBs/DBs.

Private investment in infrastructure projects by income group and financier group
(3-year moving average, % of total value)



Private with two or more non-private in middle- and low-income countries
(3 year average 2018-2020, % of total)



Source: Global Infrastructure Hub based on IGlobal data
Note: Non-private financiers include development banks (MDBs/DBs), export credit agencies (ECAs), and the public sector (such as government authorities and state-owned enterprises).