

INTER-AMERICAN DEVELOPMENT BANK

Infrastructure Investment in Emerging Markets and Developing Economies

July 2, 2015
Oxford University



We work to change lives and
create new possibilities.



Leading regional development bank

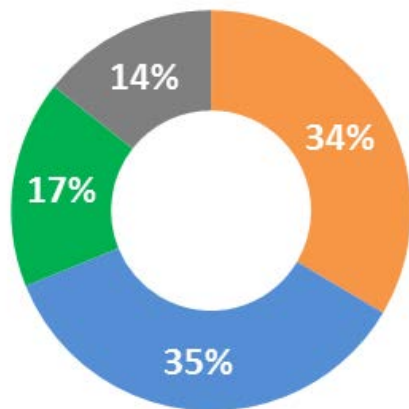
- The first and largest regional development bank
 - **Mission: improve the lives of the people in Latin America and the Caribbean**
 - Largest source of long- term developmental financing in Latin America and the Caribbean, since 1959
 - **48 member countries worldwide, 26 borrowing countries and country offices in the region**
- Clients: Central governments, provinces, municipalities, private firms and non-governmental organizations.
- **2014: 168 new projects approved (U\$13.8bn)**
- **AAA/Aaa ratings by Standard & Poor's and Moody's**



IDB Portfolio

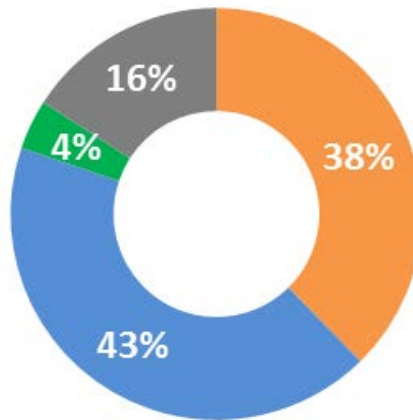
Approvals by Sector, 2014

Number of operations



- Infrastructure and Environment
- Institutional Capacity & Finance
- Integration & Trade
- Social Sector

Volume



- Infrastructure and Environment
- Institutional Capacity & Finance
- Integration & Trade
- Social Sector

- **Infrastructure and Environment:** Between one third and 50% of the portfolio historically dedicated to infrastructure
- Strong emphasis also on **institution and capacity building**
- Strong **mandate regarding Climate Change**, both Adaptation and Mitigation with 25% of portfolio commitment
 - Special emphasis on **Renewable Energy**

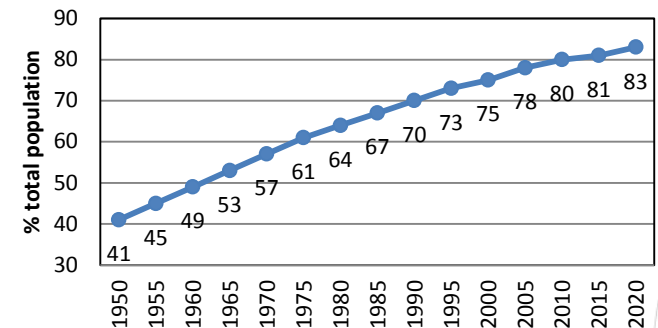
An Urbanizing Region

The region with the highest rate of urbanization, among developing regions

183 million new vehicles in LAC between 2013 and 2030 combined with road safety problems

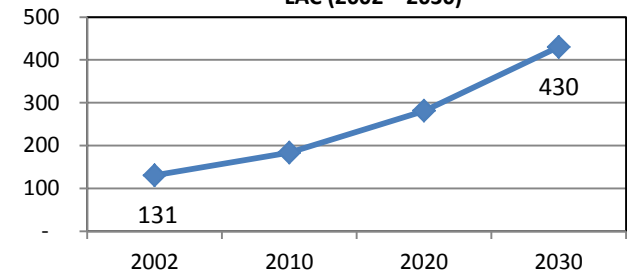
Heavy investments in mass urban transportation needed to curb congestion and emissions effects

Urbanization rate in LAC, trends and projections (1950-2020)



Source: IDB's Infrastructure Strategy (2013) and Andean Development Corporation (2011)

Number of vehicles for every 1000 inhabitants in LAC (2002 – 2030)



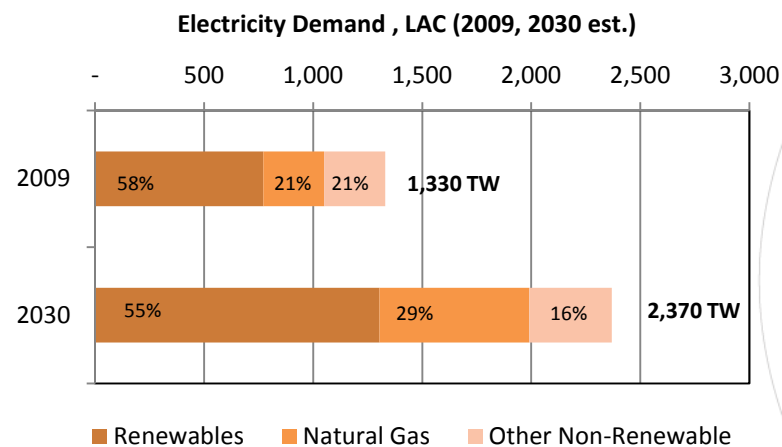
Source: Dargay et al (2007), with data from ARG, BRA, CHI, DOM, ECU & MEX.

Growing Energy Demand

Economic growth in the Region is driving energy demand

Growth of production from renewable sources, but not as a share of the power generation matrix

Unless current trends are reversed, emissions are set to increase by 60% through 2050



Source: World Bank

Access to Water and Sanitation

80 million people in LAC still need access to water and sanitation

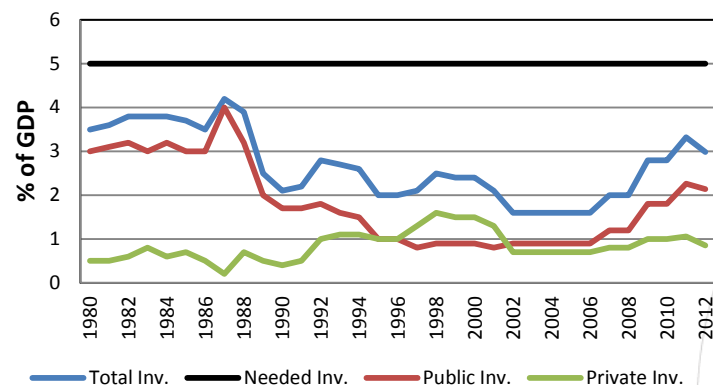
To achieve universal access, LAC needs to invest \$20 billion in the sector



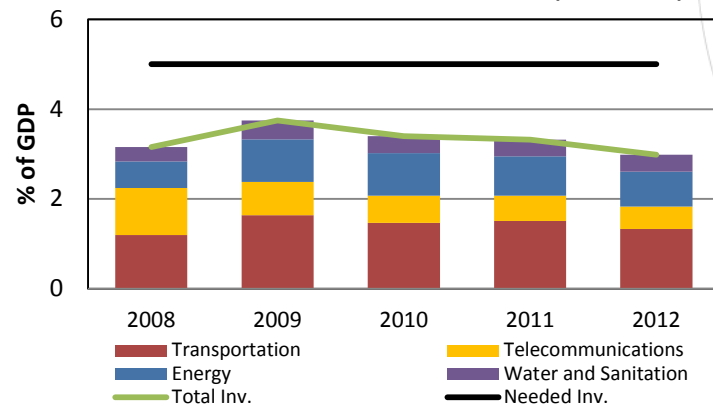
The Infrastructure Gap in LAC

LAC needs to invest approx. 5% of GDP (or \$250 billion in 2010 numbers) in infrastructure over a long period, in order to close the infrastructure gap

Investment Gap in Infrastructure, LAC (1980-2012)



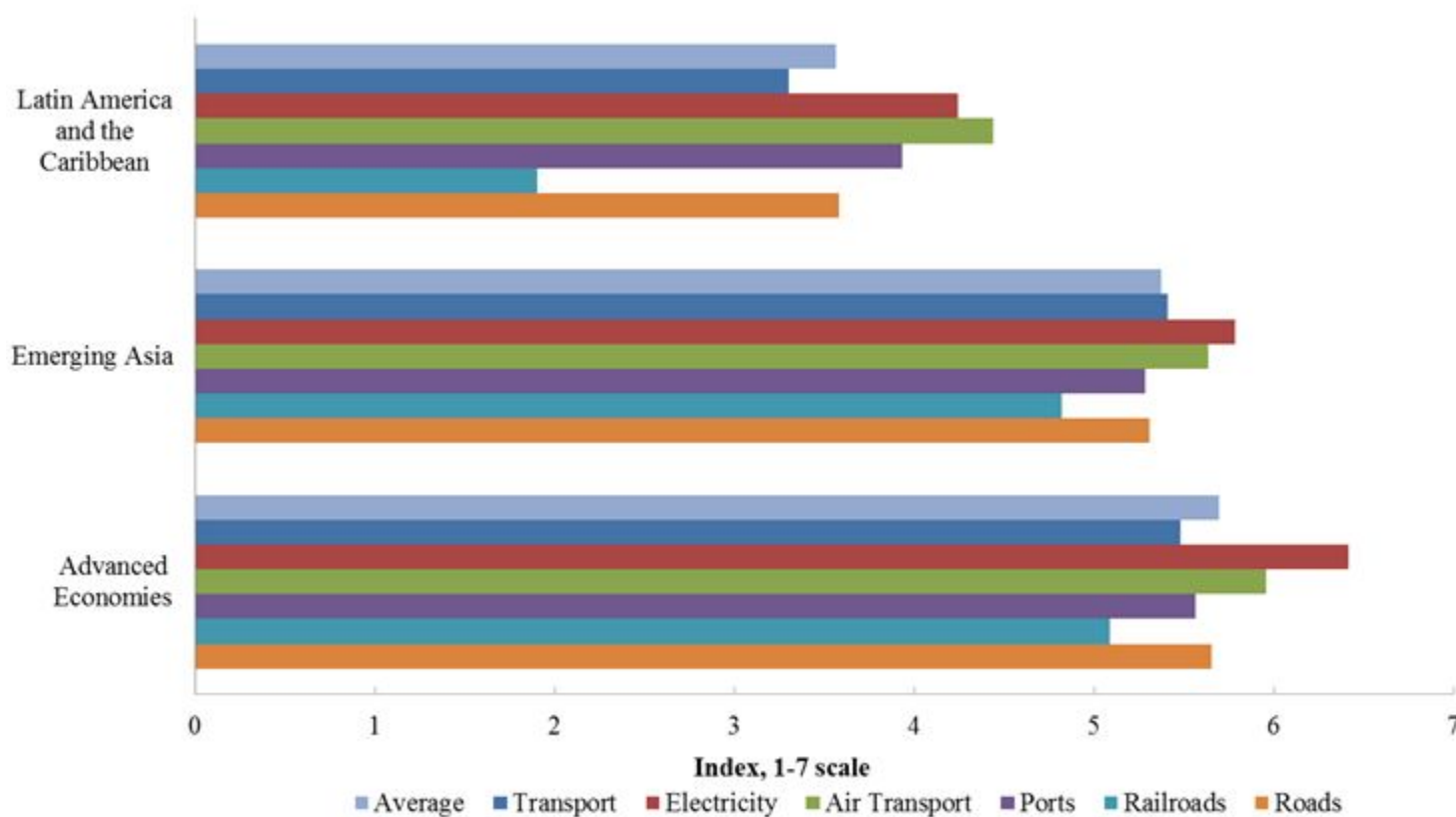
Investment in Infrastructure, LAC (2008-2012)



Source: IDB's Infrastructure Strategy (2013) and Andean Development Corporation (2014)



A need to improve the quality of infrastructure



Source: Global Competitiveness Report, World Economic Forum (2012-2013)

Sectors priorities

- **Multi-sectorial Agenda:** Plan, build and maintain infrastructure that provides services of high quality to promote sustainable and inclusive growth
- **Focus on climate change:** 25% of total loans address climate change, sustainable energy and environmental sustainability



Energy

- Renewable generation (Wind, Solar, Geothermal)
- Service improvements to energy transmission and distribution
- Focus on low access and supply areas

Transportation

- Toll Roads
- Airports
- Ports
- Increase capacity & access
- International safety standards

Water and Sanitation

- Water supply
- Water and waste treatment
- Energy efficiency

PPPs

- Public private partnerships (PPPs) across a range of sectors

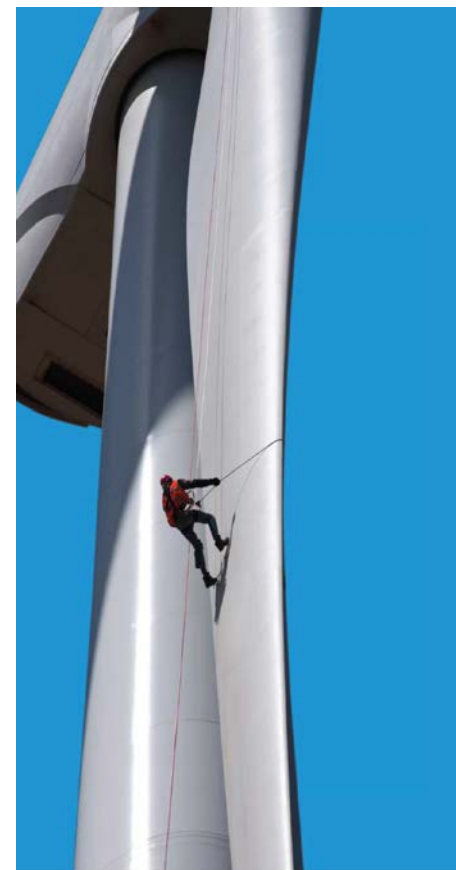
Significant role of the Private Sector

- ✓ A healthy private sector is essential for economic development and poverty reduction
- ✓ Generates 90% of our region's employment
- ✓ Drives innovation and sustainability
- ✓ Provides knowledge transfer and capacity building
- ✓ Increases productivity
- ✓ Key actor in filling the gap in infrastructure and energy investments



Challenges to Investments

- Legal & Regulatory frameworks
- Business Climate
- Public Private Partnerships (PPP)
- Institutional Capacity & Policy frameworks
- Sustainability climate change mitigation and adaptation
- Project Preparation & Pipeline
- Global competition for investments
- Financing, banking and capital markets



Infrastructure 360° Awards

Leading in Sustainable Infrastructure

Promoting sustainable approaches in infrastructure is a key priority for the IDB. Together with the Harvard Zofnass Program for Infrastructure Sustainability, the IDB launched the Infrastructure 360° Awards to surface outstanding sustainability practices in private and public-private infrastructure investments.



Former US VP AI Gore on Infrastructure 360° Awards
[Watch here](#)

Our Deal is with the Future.

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