

2024 JOINT ACTION PROPOSAL FOR SUSTAINABLE INFRASTRUCTURE INVESTMENT IN AFRICA

*G7 Partnership for Global Infrastructure and Investment (PGII)
Expert Group on Development Finance for Infrastructure and
Investment*

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Introduction

Building on the work done by previous G7 Presidencies, in continuity with the 2023 Hiroshima Summit and in particular the 2022 ad-hoc MDB/DFI Expert Group on Infrastructure and Investment, in 2024 the G7 Partnership for Global Infrastructure and Investment (PGII) Working Group under the Italian G7 Presidency has given mandate to re-establish the Expert Group on Development Finance for Infrastructure and Investment (hereinafter the “Expert Group”) with the participation of Public Development Banks (PDBs) and Development Financial Institutions (DFIs) from G7 countries, to be complemented, as appropriate, by Multilateral Development Banks, Export Credit Agencies, private sector and institutional investors in G7 and partner countries.

With a view to support operationalizing the PGII, including country-led partnerships, investments in enabling environments for sustainable infrastructure development, and engagement with the private sector, international organizations, and partner countries, the Expert Group will follow-up on the work done by the 2022 MDB/DFI Expert Group under the German G7 Presidency providing monitoring on the issues raised in its action plan, and work on new policy proposals in line with the Italian G7 Presidency priorities to promote climate-resilient infrastructure and attract private investments to reduce the infrastructure gap of emerging markets and developing economies.



Acknowledgments¹

Participating Institutions in the G7 PGII Expert Group



Participants to the PGII Expert Group Hearings



Interviewed Private Companies

20 private companies were interviewed, the majority of which working in the energy sector and some of them in the transport and digital infrastructure sector. Both large and medium size firms took part to the exercise. Answers were provided as a collective exercise under the agreement of anonymity.

¹ The G7 Partnership for Global Infrastructure and Investment (PGII) Expert Group on Development Finance for Infrastructure and Investment in 2024 has been chaired by Cassa Depositi e Prestiti SpA (CDP) and coordinated by Enrico Petrocelli, Head of International Institutional Relations, with the support of Lorenzo Piroddi, Livia Morichetti Franchi and Sofia Horsfall.

1. Infrastructure Scenario Setting: Identifying Emerging Trends and Challenges

1.1 Infrastructure as enablers for growth and climate change resilience: a global perspective

In order to deliver on global development goals, emerging economies will be required to fill a considerable infrastructure gap. International treaties and agreements, such as the Paris Agreement framework, call for the achievement of net zero emissions by 2050: as such, since infrastructures play a pivotal role as enablers of sustainable development, they will stand as a critical element on the pathway to meet the objectives set by the global sustainability agenda.

The World Bank estimates that reaching the Sustainable Development Goals (SDGs) and achieving growth in basic infrastructure investment requires developing countries to spend 4.5% of their GDP on an annual basis². Infrastructures that support green, sustainable, and resilient development, such as green energy production and distribution systems, sustainable mobility and transport, digital infrastructures, should be top priorities. However, considerable investment gaps between the current situation and the target scenario exist.

Data on public investment on infrastructure show a period of relative stagnation before Covid-19, as investment in infrastructure at global level kept a rather stable pace at 2% of GDP and 12% of total fixed investments since 2011³. A significant increase in infrastructure investment has only been registered in the aftermath of the pandemics, mostly driven by efforts during Covid-19, looking at preserving the levels of aggregate demand.

In fact, the process of putting critical infrastructure to the ground, from inception planning, through to construction, is capital intensive. In the case of energy, transportation and digital infrastructures, large projects require high levels of financial investments, including operation and maintenance, brownfield and greenfield projects. Therefore, private investments need to be mobilized as complementary resources to public funding to provide for an adequate feed to land successful projects especially in low and middle-income countries that are generally unattractive to private investors due to their levels of public debt and associated risks.

1.2 Focus on the infrastructure sector challenges in Africa

Among all continents, Africa likely faces the most significant issues in terms of infrastructure investment needs for several reasons:

- 1- The current infrastructure gap is huge: filling it will require more than doubling the existing investment to an estimated \$130-\$170 billion per year to overcome the continent's large infrastructure deficit that is holding it back. A few significant examples:
 - road access rate in Africa is only 43%⁴;

² World Bank, Beyond the Gap, 2019. The estimate is referred to infrastructure-related Sustainable Development Goals (SDGs) only and to the target of limiting climate change to 2°C. 4.5% is the preferred spending level, out of three possible alternative scenarios, characterized by different degrees of spending and efficiency.

³ Oxford Economics, Global Infrastructure Outlook 2017.

⁴ African Development Bank, Cross-Border Road Corridors - Expanding Market Access in Africa and Nurturing Continental Integration, 2023.

- less than 50% of Sub-Saharan Africa's population has access to electricity, compared to almost 90% in other parts of the developing world⁵;
 - half of the people still lacking basic drinking water services (about 400 million) are located in the African continent⁶;
 - internet penetration rate is less than 30%, compared to an average of 57% elsewhere in the developing world⁷.
- 2- Although Africa is responsible for less than 4% of global greenhouse gas emissions⁸, it is the continent which is the least able to cope with the negative impacts of climate change. As an example, agriculture is the mainstay of Africa's livelihoods and national economies, supporting more than 55% of the labour force. But its agricultural productivity growth has declined by 34% since 1961 due to climate change. This decline is the highest compared to what other regions of the world have experienced⁹. Given Africa's high exposure, fragility and low adaptive capacity, the effects of climate change are expected to be felt more severely, unless substantial investments in climate-resilient infrastructure are activated.
- 3- The continent's population is expected to reach 4 billion by the end of this century¹⁰, with an unprecedented rural to urban migration, driven largely by young people. As a result, the number of people living in African cities is forecast to almost triple – reaching approximately 1,5 billion by 2050: urbanization is going to reshape the continent. Recent data suggest that the population of Africa's cities is growing by 3.5% every year. Approximately two thirds of this growth account for urban population increase. Such an increase in population will put pressure on existing infrastructure networks requiring unprecedented efforts to expand them.
- 4- Many African governments are operating under significant financing constraints as they operate with limited fiscal space, with rising debt-to-GDP ratios and high interest rates limiting their ability to allocate funds for infrastructure projects. Additionally, the continent's banking and financial sectors are still nascent in many regions, with underdeveloped capital markets that lack the depth and maturity to support long-term investments. Most infrastructure projects, such as those in energy, transportation, and telecommunications, require long-term financing - often spanning decades. However, banks operating in Africa typically lend on short-term tenors, creating a mismatch in financing needs for infrastructure investments.

Infrastructure development could be a key driver for progress across the African continent and a critical enabler for sustainable development. Indeed, investments in climate-resilient transport, energy and digital infrastructure can lead to higher productivity, employment and income opportunities, thereby reducing poverty and favouring social inclusion.

In this context, however, market financing for African counterparts and for many sub-Saharan African countries has recently dried up or has become very expensive, as advanced economies have raised interest rates to fight inflation and international investors have increasingly adopted a more cautious stance towards high risks initiatives. Scope to roll over maturing debt has reduced sharply, forcing

⁵ International Energy Agency, data on access to electricity in 2021: <https://www.iea.org/reports/sdg7-data-and-projections/access-to-electricity>

⁶ UN Water, The United Nations World Water Development Report 2023.

⁷ World Population Review, data on internet penetration in 2021: <https://worldpopulationreview.com/country-rankings/internet-penetration-by-country>

⁸ African Union, Agenda 2063 Second Ten-Year Implementation Plan, 2024.

⁹ Carbon Brief, Analysis: Africa's extreme weather has killed at least 15,000 people in 2023.

¹⁰ African Development Bank, From Millions to Billions: financing the development of African Cities, 2023.

countries to make difficult policy choices. In this context possible debt restructuring has become an option for some countries dealing with debt vulnerabilities and risks to debt sustainability¹¹.

The current landscape of debt in Africa is also fragile and fragmented. Multilateral debt relief initiatives have contributed to release the pressure on state finances for a decade, although, in recent years, particularly after the pandemic, there has been an increase in public debt for African countries, associated with the increase in interest rates related to price shocks for raw materials. African states have in a few cases responded to price shocks with public subsidies and other forms of income support, thus further increasing public spending. Higher interest rates and broader government support measures (which further exacerbated public spending) therefore reduced resources available for infrastructure investments. Moreover, many African countries found it more difficult to restructure their debt in distress conditions, because of conflicting interests among different creditors.

1.3 The role of G7 MDBs and DFIs in support of the infrastructure sector in Africa

The G7 in partnership with Public Development Banks (PDBs), Development Finance Institutions (DFIs) and Multilateral Development Banks (MDBs) can play a central role in facilitating the scaling up of private capital, by removing barriers to private sector participation and investments, thereby complement scarce public funding to address infrastructure gaps. On a long-term perspective, PDBs, DFIs and MDBs could act as facilitators by offering governments critical skills in areas such as sector planning, transaction support, planning, and risk allocation, with the potential of embedding those skills in government entities as well as expanding private financing and co-financing by partnering with other multilateral development institutions, scaling-up cooperation in strategic infrastructural segments and building knowledge and capacity.

The Partnership for Global Infrastructure and Investment (PGII) has proved successful to start the discussion towards investment strategies in developing and emerging countries, with a view to support inclusive economic growth. An initial PGII project pipeline has been proposed, to promote green energy, accelerate climate actions for adaptation and mitigation, enhance the resilience of supply chains and transport connectivity, digital capacity and food security, strengthen health systems and advance gender equality. This pipeline, which needs further development and aims to implement specific projects on the ground, includes many African countries¹².

Public and private investments should support high-quality, sustainable infrastructure that bring a significant impact to developing countries, their economies, communities, and environment. In this view, Quality Infrastructure Investment (QII) Principles introduced in the G7-G20 framework should guide countries to pursue investments by integrating environmental, social and governance considerations in infrastructure.

¹¹ International Monetary Fund, Regional Economic Outlook Sub-Saharan Africa. Debt Dilemmas in Sub-Saharan Africa: Some Principles and Trade-offs in Debt Restructuring 2023.

¹² Factsheet on the G7 Partnership for Global Infrastructure and Investment 2023.

2. Progress on the 2022 Expert Group Proposals on Mobilizing Private Capital for Quality and Sustainable Infrastructure Investment

2.1 Methodology

This chapter aims to assess the progress made on the recommendations outlined in the *2022 Joint Action Proposal for the G7 and MDBs/DFIs on Mobilizing Private Capital for Quality and Sustainable Infrastructure Investment*. The methodology adopted involved a comprehensive analysis of responses from questionnaires compiled by G7 Public Development Banks (PDBs), Development Finance Institutions (DFIs) and the World Bank Group.

The aim of the survey conducted is to verify if the mobilization of private capital for quality and sustainable infrastructure investment has increased since the launch of the PGII initiative under the G7 German Presidency in 2022. The themes addressed within the chapter are organized into five Collective Action Areas, mirroring those initially identified:

- **Supporting Country Institutions for Private Participation in Infrastructure (PPI):** This area examines efforts to enhance country institutions and programs that facilitate private participation in infrastructure projects. It aims to evaluate how effectively G7 countries, and the World Bank Group, are fostering an environment conducive to private investment.
- **De-risking Sector Projects:** This section focuses on initiatives aimed at mitigating risks associated with infrastructure projects, particularly addressing the low creditworthiness of contracting authorities. It assesses strategies employed by G7 countries and the World Bank Group to make investments more attractive to private capital.
- **Expanding Project Pipeline:** Here, the emphasis is on efforts to increase the number of viable infrastructure projects, as well as improving project preparation quality and bankability. This area seeks to understand how to ensure a robust pipeline of projects ready for investment.
- **Accelerating Infrastructure Systems Transition:** This action area evaluates initiatives that enhance infrastructure quality, standards, and governance. It also includes efforts to green supply chains and logistics while promoting sustainable financing practices.
- **Facilitating Institutional Investor Financing:** The final area investigates how institutional investors, including local investors, are enabled by G7 countries' PDBs/DFIs and the World Bank Group to finance infrastructure projects effectively.

By analysing these areas through the responses collected, this chapter will provide an accurate understanding of how G7 countries are progressing towards their commitments under the PGII framework, thereby enabling informed discussions on future strategies for sustainable infrastructure investment.

2.2 Support to country institutions and programs for private participation in infrastructure (PPI)

The *2022 Joint Action Proposal* emphasized the importance of strong country institutions and programs to enable private participation in infrastructure, identifying inadequate legal frameworks and financially unsustainable infrastructure sectors as key barriers, particularly in Emerging Markets and Developing Economies (EMDEs). While these challenges persist, progress has been made in several countries, which established new legal frameworks and regulations to create a more favourable environment for private investment. Additionally, capacity-building programs have been implemented to train government officials on best practices for managing PPI initiatives.

For instance, British International Investment (BII) introduced the Kinetic Portfolio, which includes the Climate Innovation Facility (CIF). This initiative provides catalytic capital for high-risk projects and supports innovative, scalable, and transformative technologies and business models that are often not covered by traditional investment strategies. By enhancing the capacity of local institutions and providing targeted training to government officials on best practices for managing PPI, these programs are instrumental in bridging the gap between public needs and private capabilities. Notably, development finance institutions like FMO, Proparco and BII invested over \$52 million in a 50 MW greenfield solar power project in Sierra Leone. This project, over the last two years, is expected to increase the country's electricity supply by 30%, significantly boosting energy access and supporting sustainable development.

The European Investment Bank (EIB) has also played a crucial role in supporting country-led infrastructure strategies, particularly in Africa, through concessional financing and technical assistance programs. In this regard, the Team Europe approach has further strengthened coordination among European financial institutions, amplifying the impact of support provided to countries in developing robust infrastructure strategies.

The Italian Climate Fund, managed by CDP on behalf of the Italian Ministry of Environment and Energy Security, is another example of a targeted effort which involves funds to provide technical assistance to increase private and public capital mobilisation for infrastructure projects with a focus on climate change mitigation and adaptation. This fund leverages a variety of financial instruments to support projects developed by private entities or co-financed by commercial lenders, providing a comprehensive approach to enhancing PPI at international level.

With the support of German International Climate Initiative (IKI) and the Agence Française de Développement (AFD), the International Development Finance Club (IDFC) has created the NUCA program, it supports the strengthening the capacities of the National Development Banks (NDBs) as drivers of low-carbon climate-resilient urban infrastructure investments in Brazil, Colombia, Indonesia, South Africa and Mozambique. The NDBs Urban Climate Action program (NUCA) will strengthen the technical, institutional and financial capacity for the development of bankable urban climate projects to city clients and bringing such projects to financial closure.

The World Bank Group (WBG) has directly supported countries and local/ state-level governments in strengthening institutions that support the mobilization of private capital in areas such as developing and strengthening legal and regulatory frameworks, fiscal risk management, establishing funds and financing platforms, and project pipeline development. For example, the WBG supported the reform of the telecommunications sector in Ethiopia, including the establishment of a legal framework and the creation of the Ethiopian Communications Authority to manage sector liberalization and provide regulatory support. Supported by the International Finance Corporation (IFC)'s Transaction Advisory, the Government awarded Safaricom Ethiopia the first ever competitively tendered full-service telecommunications operator license for an initial license duration

of 15 years. IFC invested \$257 million into Safaricom Ethiopia (loan and equity) and the Multilateral Investment Guarantee Agency (MIGA) provided a \$1 billion political risk guarantee covering the equity investments of Safaricom Ethiopia's shareholders.

The European Bank for Reconstruction and Development (EBRD) has provided substantial support for project preparation in PPPs through its PPP project preparation facility and renewable energy auction programs in Egypt. In addition, the EBRD has provided technical assistance in Morocco to support the development and implementation of a state ownership policy, aimed at improving the efficiency, governance, and transparency of state-owned enterprises, thereby paving the way for potential private sector participation in state-owned assets.

Thanks to support from Germany's G7 Presidency to the Public Private Infrastructure Advisory Facility (PPIAF) and the Global Infrastructure Facility (GIF), the World Bank is implementing the Africa Critical Upstream Initiative, to help country governments to identify and address critical constraints to private capital mobilization for high-quality and sustainable infrastructure and actively looking to scale up pipelines for bankable projects.

The various initiatives highlighted demonstrate a concerted effort by G7 countries and their development institutions to support and enhance private participation in infrastructure projects. The establishment of new legal frameworks, capacity-building programs, and innovative financing mechanisms are crucial steps in creating an enabling environment for private investment. These efforts not only aim to attract more private capital into infrastructure but also to ensure that investments are sustainable and aligned with global climate goals.

2.3 Efforts to de-risk sector projects and address low creditworthiness of contracting authorities

A key challenge identified in the 2022 proposal was the low creditworthiness of contracting authorities, which remains a significant challenge today. This issue is particularly relevant in Emerging Markets and Developing Economies (EMDEs), where many countries face structural challenges that hinder efforts to de-risk sector projects and improve the creditworthiness of contracting authorities. That said, it remains critical to improve the creditworthiness of utilities, by addressing the underlying causes affecting their operational and financial performance, including technical and commercial losses, poor maintenance, inadequate cash flow and financial management, and others.

Since then, G7 countries and their development banks have implemented a range of de-risking strategies. For example, the European Investment Bank (EIB) has utilized concessional resources from the European Commission to scale up climate financing in Africa. This strategy includes the use of blended finance models that combine concessional funding with market-rate loans to improve the bankability of projects and reduce risks for private investors. Indeed, EIB investments in infrastructure act as catalytic de-riskers and are capped at 50%, necessitating additional institutional or private investment.

Similarly, British International Investment (BII) has used guarantees to support renewable energy aggregators and traders, enhancing their financial stability to enter contracts with Independent Power Producers (IPPs) for greenfield capacity development. This approach addresses the perceived high risks associated with early-stage projects and low creditworthiness of contracting authorities by providing financial backing that strengthens the position of these aggregators.

To secure private investors in emerging and developing countries, the French AFD and CDC has created STOA, an Impact fund dedicated to Sustainable infrastructures. Providing equity to private investors, STOA has acted as a long-term investor in large-scale infrastructure and energy projects, in Africa, Latin America and Asia. Created in 2017, STOA has invested around 600 million euro in renewable energies, public transport, telecommunications with a significant contribution to SDGs: 1500 MW of renewable energy has been financed and 4 million people have gained access to electricity by 2024.

The World Bank Group (WBG) has undertaken a major overhaul of its guarantee business to deliver simplicity, improved access, and faster execution through a new, convenient marketplace. The reform is expected to increase annual guarantee issuance and provide a significant boost to private capital mobilization through the guarantee instrument. The WBG has also worked on improving IBRD¹³/ IDA¹⁴ backstopping of risk-sharing facilities implemented by government-backed financial intermediaries to support the development of local currency and international financing in nascent markets. The WBG also supports subnational entities and utilities to improve their creditworthiness to strengthen their financial position, improve efficiency and access commercial finance. Utilities4Climate (U4C) initiative funded by Japan supports water utilities to improve water loss reduction strategies, use artificial intelligence for leak detection, and assess technologies for sludge treatment.

The EBRD has also employed targeted credit enhancement facilities, which, in combination with MIGA's political risk insurance products, have mitigated the risk profile of off takers. This has enabled the issuance of an innovative green project bond in Egypt and facilitated access to infrastructure as an asset class for institutional investors.

Despite these substantial efforts, the low creditworthiness of contracting authorities in many EMDEs continues to pose a significant barrier to attracting private investment. Enhancing the financial stability and reliability of these entities is crucial for de-risking sector projects and ensuring sustainable development. Achieving this requires ongoing and intensified collaboration between international financial institutions, development banks, and local governments within the PGII framework.

2.4 Scale up and quality of project preparation quality and bankability for project pipeline expansion

The 2022 proposal emphasized the urgent need to enhance project preparation and bankability to significantly expand the project pipeline. However, according to a British International Investment (BII) analysis of project finance databases, only nine project finance transactions were completed in the African power sector by DFIs in 2023, far below the scale required to transform energy systems. These transactions, averaging less than \$150 million each, are too small to attract institutional investors. In response, multiple initiatives have been launched to address these gaps and improve the quality of project preparation, with a particular focus on climate-resilient infrastructure. One significant initiative is the already mentioned Climate Innovation Facility (CIF), launched by British International Investment (BII) in 2022. The CIF is a highly catalytic, climate-focused investment mandate. One of the core instruments available through CIF is project development loans, which are

¹³ The International Bank for Reconstruction and Development

¹⁴ International Development Association

used to create a pipeline of bankable infrastructure projects, particularly in more challenging markets or nascent sectors.

The Italian Climate Fund managed by CDP for the Italian Ministry of Environment and Energy Security has been proactive in this area, providing comprehensive support to both private and public entities. This support includes project development assistance, co-financing arrangements, and a suite of financial instruments tailored to enhance project viability.

The Japan Bank for International Cooperation (JBIC) has created opportunities for dialogue with local governments to promote project development. As recent examples, in June 2024, JBIC collaborated with a UK government agency to hold a seminar in Indonesia, sharing its experience with precedent cases in the UK to accelerate project development. In February 2024, JBIC dispatched a joint mission to Republic of the Philippines with U.S. Development Finance Corporation (DFC), Export Finance Australia (EFA), and Department of Foreign Affairs and Trade (DFAT), under the Trilateral Infrastructure Partnership (TIP), aiming to identify collaborative projects in the country.

The European Investment Bank (EIB) has also focused on strengthening project preparation through technical assistance and concessional financing. These initiatives aim to improve the quality of project documentation, feasibility studies, and overall project design, making them more attractive to investors. The World Bank has complemented these efforts by developing tools to help client countries manage fiscal commitments and contingent liabilities associated with Public-Private Partnerships (PPPs). Such tools are critical for improving the financial management and transparency of infrastructure projects, thereby enhancing their bankability and reducing perceived risks. The WBG has also supported the establishment and operationalization of project preparation funds for PPPs in selected countries while sharing global experience and lessons.

Since 2014, the G20 Global Infrastructure Facility (GIF), has supported governments in Emerging Markets and Developing Economies (EMDEs) in the preparation of sustainable, climate-smart infrastructure projects for private investment, including in Africa, in collaboration with its member MDBs and private sector advisory partners. GIF has a track record of helping governments prepare public-private partnerships that successfully attract private finance at scale in Africa, such as the Bus Rapid Transit system in Dakar, Senegal, the continent's first electric BRT system. GIF also develops sustainable infrastructure programs for private investment, develops toolkits for government officials and infrastructure practitioners and piloted successful country platform approaches uniting public and private stakeholders to accelerate pipeline development.

Progress has been made in scaling up and improving the quality of project preparation and bankability for project pipeline expansion. However, continued efforts are needed to sustain and build upon these achievements to ensure the quality of sustainable infrastructure projects in Africa, which remains one of the main hinderances to overcome.

2.5 Infrastructure systems transition by improvement of infrastructure quality, standards, and governance, greening supply chains/logistics, and sustainable financing

Private investors unfamiliar with assets in Emerging Markets and Developing Economies (EMDEs) require an efficient discovery system supported by clear standards to measure sustainability and quality. However, significant constraints such as fiscal and debt management capacity, along with project governance and execution, hinder the development of quality infrastructure. Also, high levels of debt can have a cascading effect, becoming substantial barriers to private investment by increasing perceived risks and diminishing the capacity to attract external capital. While concerns

about performance and financial risk often outweigh worries regarding environmental and social (E&S) or business integrity (BI) risks, the issue of unfamiliarity with EMDE assets remains prevalent.

Importantly, private investors tend to value the contributions of Development Finance Institutions (DFIs) in ensuring sustainability and quality. In many cases, especially in Africa, they are reluctant to pursue transactions independently without DFI/MDB involvement. Since 2022, efforts to enhance infrastructure quality, standards, and governance have taken centre stage, leading to the development of various tools and resources aimed at mainstreaming quality and sustainability throughout infrastructure planning and investment processes.

The Japan International Cooperation Agency (JICA) has established three debt facilities in line with the declaration of Prime Minister Kishida Fumio at the G7 Hiroshima Summit in May 2023, which stated that the G7 would contribute to the sustainable development of partner countries through public and private infrastructure investment. An example of a project supported by JICA is the construction of an 88-megawatt wind power plant in Ninh Thuan province in Vietnam, financed with USD 25 million. This project supports the Just Energy Transition Partnerships (JETPs) in Vietnam.

The Japan Bank for International Cooperation (JBIC) has provided support for infrastructure projects in Africa, aiming to address social and climate issues in the region. For example, JBIC granted loans for onshore wind farm projects in Egypt that involve Japanese companies. JBIC also provided the funds necessary for a project to install rooftop solar panels on elementary school buildings in Benin, enabling students to power rechargeable electric lanterns with a clean renewable energy source and lend them to pupils to light households in unelectrified areas.

Similarly, the already mentioned British International Investment (BII) Kinetic Portfolio, which includes the Climate Innovation Facility (CIF), as well as the Italian Climate Fund managed by CDP, are financial tools which are designed to support projects in the infrastructure sector with a climate change mitigation/adaptation purpose, with a strong private component.

The World Bank has supported client countries in improving fiscal and debt management through the dissemination and use of tools to assess and manage fiscal commitments in PPPs. This includes the adoption of sustainability guidelines and indicators that align with Environmental, Social, and Governance (ESG) criteria, ensuring that infrastructure investments are not only financially viable but also socially and environmentally sustainable. Also, the WB-Japan Quality Infrastructure Investment (QII) Partnership is supporting country governments to mainstream the QII Principles in infrastructure investment across the region.

The European Investment Bank (EIB) has been actively involved in harmonizing ESG standards across the market, promoting a convergence of best practices that can be applied globally. Additionally, the EIB's support for green supply chains and sustainable logistics has helped to mainstream sustainability considerations in infrastructure planning and execution. As the largest multilateral development bank issuer of green and sustainability use-of-proceeds bonds are pivotal for transitioning infrastructure systems towards higher quality and sustainability, aligning them with global efforts to combat climate change and promote inclusive development.

Enhancing infrastructure quality and governance in EMDEs is vital for attracting private investment and fostering sustainable development within the PGII framework. The collaboration between international financial institutions, DFIs, and local stakeholders is essential for establishing clear standards and frameworks that promote accountability and transparency.

2.6 Facilitation for institutional investors, including of local nature, to finance infrastructure

Institutional investors continue to face challenges in evaluating risks and returns in Emerging Markets and Developing Economies (EMDEs). While the recent release of aggregate risk data on DFI loans by GEMS marked an important first step, investors still express a need for more granular data and the ability to analyse finer combinations of country, sector, and product to better calibrate their risk models. Many institutional investors allocate very little capital to EMDEs, primarily focusing on listed products and sovereign debt rather than private infrastructure projects.

Moreover, shifting macroeconomic conditions since 2022 have made investments in developed markets increasingly attractive due to favourable returns and limited risks, further complicating the investment landscape for EMDEs. Long-term local currency financing remains exceptionally scarce across most markets, with South Africa being a notable exception where pension funds and insurers actively participate alongside local banks in infrastructure financing.

Notably, key pension funds are establishing asset management arms to manage and expand their investments into EMDEs, including infrastructure. Supporting this effort requires an enabling environment, stable macroeconomic conditions, and project sizes that provide the necessary scale for investment.

Facilitating institutional investors to finance infrastructure has been a critical area of focus for G7 countries. Various initiatives have been undertaken to mobilize private capital and enhance the participation of institutional investors, including local ones, in infrastructure projects.

A positive development, however, is the establishment of several large debt funds aimed at mobilizing institutional investor capital into DFI-originated loans. For instance, British International Investment (BII) is dedicated to creating investment opportunities for institutional investors. BII's Infrastructure and Climate Team focuses on enabling private participation in infrastructure, which typically accounts for one-third of BII's overall investments in Africa and Asia. BII has also established Gridworks, a dedicated platform for development and investment in Africa's electricity networks.

The World Bank has provided technical advisory services to client countries, facilitating the issuance of green and sustainability-linked bonds. These bonds have been instrumental in attracting institutional investors to finance infrastructure projects that meet specific environmental and social criteria. The launch of the Long-term Local Currency Finance Program (LTLCF) in 2022 aims to develop local capital markets and expand local currency financing for climate and infrastructure projects. By August 2024, the program has produced global studies addressing gaps in research related to commercial financing challenges in local currency for sustainable infrastructure and is providing technical assistance in several countries in the region to address binding constraints to mobilizing local currency finance to infrastructure investment. IFC has supported development of African capital markets and enabling of increased sustainable finance funding for infrastructure development through its participation in recent years to several bond issuances and securitizations. In this respect, since 2020 IFC participated, most of the time as an anchor investor, to 5 bonds issuances and 2 securitizations exceeding \$2 billion in total long-term financing.

The European Investment Bank (EIB) has been involved in the development of new shared investment platforms to co-finance green, resilient, and inclusive infrastructure projects with institutional investors. In 2023, EIB and the Inter-American Development Bank (IaDB) provided a \$300 million guarantee for Barbados to execute a "debt-for-climate" swap to upgrade water infrastructure. These platforms provide a mechanism for pooling resources from various institutional investors, thereby spreading risks and increasing the availability of funding for large-scale infrastructure investments. By enhancing the capacity of local financial institutions to participate in

such platforms, these initiatives are helping to build a more diversified and resilient infrastructure financing ecosystem.

The EBRD has supported the development of local capital markets in Africa by acting as a significant investor in the issuance of local currency bonds for NUCA in Egypt, as well as for the Agadir municipality and ONCF's green bond in Morocco. The EBRD's participation has helped attract institutional investors, broadening and diversifying the investor base.

On 9 October 2024, the governments of Germany, Canada, France, Denmark, South Africa and the United Kingdom launched the "Hamburg Sustainability Platform", together with two large institutional investors, Allianz and CDPQ, as well as KfW and BII, with the intention to standardize the structuring of blended finance vehicles and to pool catalytic capital for this purpose. The lack of standardization, predictability and long time-to-market is often cited as one of the key reasons why blended finance has so far remained a niche product for large institutional investors.

2.7 Progress made and challenges to mobilize private capital for quality and sustainable infrastructure investment

The progress made on the 2022 Expert Group Proposals to mobilize private capital for quality and sustainable infrastructure investment underscores a multifaceted approach that leverages the strengths and resources of G7 countries, international financial institutions, and local stakeholders. While considerable advancements have been observed across all five Collective Action Areas, significant challenges persist, especially in Emerging Markets and Developing Economies (EMDEs), where structural barriers such as inadequate legal frameworks, low creditworthiness of contracting authorities, and limited project pipelines hinder the effective mobilization of private investment.

Strengthening country institutions for private participation in infrastructure (PPI) has been a critical first step. Additionally, ensuring transparency and clear processes within this institutional framework is essential for building trust and encouraging private sector engagement. The establishment of new legal frameworks and capacity-building programs has improved Kinetic Portfolio, the WB PPP institutions building program and the European Investment Bank's (EIB) support for country-led infrastructure strategies demonstrate a concerted effort to build a robust institutional environment that can attract private capital. However, to sustain these efforts, ongoing support and further refinement of regulatory frameworks and capacity-building programs are essential.

Efforts to de-risk sector projects have shown promise, particularly through blended finance models and guarantees that address the financial stability of renewable energy aggregators and traders. Despite these advances, the low creditworthiness of many contracting authorities in EMDEs remains a significant impediment. The World Bank Group's reforms in its guarantee business and the enhanced support for risk-sharing facilities are steps in the right direction, but there is a need for more innovative risk mitigation strategies and greater alignment with local governments to ensure these efforts translate into tangible investments.

Expanding the project pipeline has been a focal point of the 2022 proposals. While several initiatives have been launched to improve project preparation and bankability, the scale and quality of prepared projects remain inadequate, particularly in the African power sector. Programs such as the Italian Climate Fund's support for project development and the Climate Innovation Facility's focus on creating a pipeline of bankable projects are crucial. Nevertheless, increased coordination among G7 countries and development institutions is necessary to generate a sufficient volume of high-quality projects that can attract institutional investors.

Transitioning infrastructure systems through improved quality, standards, and governance has been another area of significant activity. The integration of Environmental, Social, and Governance (ESG) criteria and the support for green supply chains are paving the way for more sustainable infrastructure development. The Japan International Cooperation Agency (JICA), the UK's Foreign Commonwealth and Development Office (FCDO) and the EIB's efforts to harmonize ESG standards and promote sustainable logistics through the investment to Neev Fund II are commendable. These efforts, aligned with the PGII framework, are critical for building resilient infrastructure systems that can support long-term economic growth and environmental sustainability.

Facilitating institutional investor financing, particularly from local sources, remains challenging but essential for the sustainable development of EMDEs. Initiatives like the EIB's shared investment platforms show the potential to mobilize significant institutional capital. However, more needs to be done to provide granular risk data and develop local capital markets, as evidenced by the World Bank's Long-term Local Currency Finance Program. These measures will be vital for creating a diversified and resilient infrastructure financing ecosystem.

Overall, the efforts undertaken since the 2022 Expert Group Proposals reflect a strong commitment to mobilizing private capital for quality and sustainable infrastructure investment. While progress is evident, especially in terms of institutional support, risk mitigation, and project preparation, the journey is far from complete. Continued collaboration under the PGII framework, innovative financial instruments, and robust engagement with local stakeholders will be crucial to overcoming the remaining barriers and achieving the ambitious goals of sustainable infrastructure development in EMDEs.

3. Action Plan for Mobilizing Private Capital in Sustainable Infrastructure Investment in Africa

3.1 Introduction and Methodology

This chapter outlines strategies the Partnership for Global Infrastructure and Investment (PGII) framework can adopt to mobilize private capital and advance sustainable infrastructure investments in Africa, leveraging on its unique value proposition.

The recommendations contained in this chapter are particularly relevant to further advance PGII economic and infrastructure corridors the G7 under the Italian G7 Presidency is taking forward with a strong focus on Africa. In particular, the *2024 Joint Action Proposal* can contribute to attract private investment and accelerate regional integration and sustainable development in cross-border development corridors such as the Lobito Corridor, the Kenya Country Platform and the Just Energy Transition Partnership in South Africa, as well as the Middle Corridor and the Luzon Corridor.

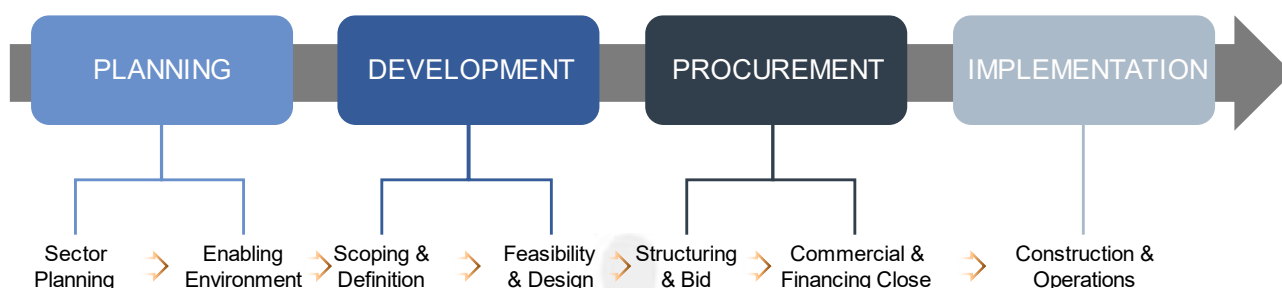
To develop the chapter, the Expert Group has relied on insights both from hearings conducted with primary international actors and from interviews organized with the private sector. The hearings involved a diverse group of stakeholders and members of the international expert community. These discussions aimed to gather data and lessons learned and integrate them into the 2024 Joint Action Proposal. Best practices from key regional initiatives were sought, including by the African Union Programme for Infrastructure Development in Africa (PIDA), the Alliance for Green Infrastructure in Africa (AGIA), as well as global quality certification systems like the FAST-Infra Label and the Blue Dot Network. Additionally, platforms for data and information sharing, project preparation and financing, such as the AUC/OECD African Virtual Investment Platform (AVIP), the Global Infrastructure Facility (GIF), SOURCE¹⁵, and the Energy Transition Accelerator Financing (ETAF), were identified as uniquely knowledgeable institutions to weigh on sustainable infrastructure development. The international actors involved in the hearings offered valuable insights into improving project design, maintaining international standards, and enhancing access to financing.

Separately, interviews were conducted with private companies already active or interested in operating in Africa's energy, transport, and infrastructure sectors. 20 companies were asked to provide their answers to a standard questionnaire, either in an interview or offline, and the same questions were posed by all G7 PDBs/DFIs involved in the exercise. These interviews focused on understanding the specific challenges faced by companies when investing in infrastructure projects located in the African continent. In addition to the main obstacles encountered, the questions explored the potential enabling factors companies would deem relevant and investigated possible opportunities to strengthen collaboration with Public Development Banks and Development Finance Institutions to address these challenges and foster private sector involvement.

These findings provide the foundation for this third chapter of the joint action plan, aimed at providing concrete actions to support PGII's goals of promoting key flagship climate-resilient infrastructure and economic corridors, creating a more enabling environment for investments, and increasing private sector participation especially in the African continent.

¹⁵ SOURCE is the multilateral platform for sustainable infrastructure led and funded by Multilateral Development Banks (MDBs)

3.2 Unlocking private sector participation: overcoming obstacles and leveraging incentives across the infrastructure life cycle



Elaboration on Global Infrastructure Facility image

To effectively increase private sector involvement in infrastructure development, it is essential to consider the entire infrastructure life cycle, which comprises planning, development, procurement and implementation. This chapter, focusing specifically on the planning, development, and procurement phases, outlines the key obstacles and incentives that can be leveraged within the Partnership for Global Infrastructure and Investment (PGII) framework to foster greater private sector engagement.

By addressing the challenges at each of these stages, private sector participation can be enhanced, while driving sustainable development, and attract significant private capital for infrastructure projects, particularly in emerging markets and in Africa.

Box I – Challenges and enablers for private sector involvement across the entire infrastructure lifecycle

Companies interviewed cited **several key challenges** hindering their involvement throughout the infrastructure life cycle in Africa. The most prominent obstacles, and related possible enablers, are cited and included in specific sections of the chapter, dedicated to the main phases of the infrastructure life cycle that are relevant for PDBs/DFIs as financial institutions: namely, the planning, development, and procurement phases.

However, throughout the interviews to the private sector, some difficulties emerged with reference to the **implementation phase** as well, impacting both the construction and operation stages, and undermining companies' willingness to evaluate new ventures at all. As an example: uncertainty related to the timing for infrastructure projects realization; need for personnel with adequate skills and preparation and for local companies to provide reliable operation and maintenance services, which is often limited in some regions, as well as the establishment of a strong safety culture and adherence to international safety regulations. One of the options the private sector suggests is supporting the local value chain growth through African businesses microfinancing. The private sector also highlighted the issue of logistics, which can disrupt timelines and increase costs, particularly in remote areas with poor infrastructure.

As it is evident, these challenges do not strictly pertain to a single life cycle phase but very often are related to different phases, if not all of them. Taking into consideration this caveat throughout

the whole chapter, hereafter the topics that can be considered as **transversal throughout the entire cycle**:

- **Perceived Risks:** as cited in other phases of the infrastructure lifecycle, macroeconomic and political risks were cited as major concerns that deter investment. Uncertainties regarding currency volatility, regulatory enforcement, and political stability were frequently mentioned.

Possible enablers: risk mitigation tools as partial risk guarantees and currency hedging to reduce perceived risks. Insurance coverage for other risks.

- **Lack of Institutional Expertise:** many companies mentioned that governmental institutions or agencies, as well as local governments often lack the capacity and the know-how to effectively manage large-scale infrastructure projects. This results in delays and inefficiencies that discourage private sector participation.

Possible enablers: capacity-building initiatives to strengthen the technical capabilities of local institutions were strongly recommended since they would enable them to better manage infrastructure projects and collaboration with the private sector.

- **Coordination Challenges:** The gap in communication between governments and private sector stakeholders, especially regarding long-term project goals, creates uncertainties.

Possible enablers: Institutional strengthening and capacity-building initiatives, such as public-private partnerships (PPPs) and the creation of institutional channels with the governments of selected countries, would help foster better collaboration and are seen as a risk sharing mechanisms, critical for private sector participation.

3.2.1 Planning: Creating an Enabling Environment through Reliable Data and Information, Regulatory Harmonization and Capacity Building

The planning phase of infrastructure development is critical for multi-year investment planning, including selecting and prioritizing projects suitable for private investments as well for establishing a solid foundation for successful project execution. Within this context, enhancing institutional capacity and regulatory frameworks to support sustainable infrastructure projects is crucial, especially in Africa. This phase encompasses key components such as creating an enabling environment, regulatory harmonization, and capacity building.

A flourishing enabling environment is closely linked to the role of government in facilitating infrastructure projects. Key factors include an uncertain legal and regulatory environment, where political processes can create ambiguity, impacting project approvals, as well as the lack of transparency and clarity in processes and rules, which further complicates the landscape for investors. While foreign capital and advanced know-how are essential for developing climate-resilient projects in middle- and low-income countries, the inclusion of local businesses is equally important. Local resources, such as accounting, legal, and auditing services, are key to verifying sustainable finance initiatives. Additionally, the development of local capital markets depends on regulatory frameworks, with sovereign credit ratings playing a critical role in the application of risk mitigation tools.

In this context, limited access to reliable data and information on investment ecosystems poses a significant barrier for investors and contractors. These actors often struggle to obtain sufficient

information necessary for assessing risks, analysing project viability, and conducting thorough due diligence. This lack of information hampers private sector confidence in making long-term infrastructure investments. Moreover, the absence of effective market sounding processes limits the understanding of the investment landscape and market interest. This deficiency prevents potential private investors from accurately evaluating project feasibility, ultimately restricting their willingness to commit to financing or development.

Therefore, regulatory harmonization and policy clarity based on global experience yet tailored for the specific country context are essential for creating a favourable investment environment. Collaborating with African governments to streamline regulatory frameworks is crucial for making them more conducive to private investment. This includes harmonizing regulations across borders and establishing clear, stable, and long-term policies. Large cross-border infrastructure projects, such as those under the PGII framework, can play a pivotal role in harmonizing practices and identifying and setting common standards. As trailblazers, these projects could drive regulatory alignment across the countries involved. By promoting policy clarity and setting high standards, it is possible to enhance the attractiveness of projects for private sector investors.

Nevertheless, a persistent challenge is the lack of effective communication between private sector players and government entities. This issue is present in the short-term, where immediate dialogues and engagement are often insufficient. Additionally, there is a broader concern regarding the long-term planning of projects, which is frequently not developed in a meaningful way. Without a strategic vision that spans years or decades, infrastructure initiatives may lack the necessary frameworks to ensure sustainability and viability, ultimately deterring private investment. Addressing both the short-term communication gaps and the need for comprehensive long-term planning is crucial for fostering a more conducive environment for private sector participation.

Governments, as key stakeholders in infrastructure projects, may also fail to provide sufficient guidance or clarity regarding regulations, policy changes, and long-term project objectives. This creates uncertainty for private investors, particularly concerning political and regulatory risks which is why capacity building and institutional strengthening are vital for equipping local institutions with the necessary tools and expertise to manage large-scale infrastructure projects effectively. Providing technical assistance programs, often in collaboration with MDBs, DFIs and PDBs, which have experience and operations in adjacent countries, can enhance local governments' ability to design and oversee climate-resilient and sustainable infrastructure projects, also providing regulatory alignment for the development of cross-border infrastructure. This support ensures that public-private partnerships (PPPs) are well-managed and that the institutional environment is fertile to successful project outcomes.

Box II – Challenges and enablers for private sector involvement in the planning phase of the infrastructure lifecycle

In addition to the cross-phases topics highlighted, companies interviewed cited **an additional challenge** hindering their involvement throughout the infrastructure life cycle in Africa. The most prominent obstacles, and related possible enablers, in the first phase of the cycle include:

- **Regulatory and Political Uncertainties:** One of the most frequently mentioned challenges is the uncertain regulatory environment in many African countries. Companies expressed concerns about unpredictable changes in regulations, inconsistent enforcement, and politically driven decision-making. This creates difficulties in making long-term commitments and discourages private sector investment in high-capital infrastructure projects if regulatory frameworks aligned with international standards are not adopted to reduce unpredictable political changes.

Possible enablers: Stable and transparent regulatory frameworks are seen as essential to reduce investment risks. Clear and consistent regulations, harmonized across borders where applicable, would provide the private sector with the confidence to invest in long-term infrastructure projects. Adoption of international standards for contracts, improved governance, and institutional capacity building and end-to-end support are also crucial incentives to encourage participation. Adoption of medium-long term national strategies for energy transition, infrastructure, and logistic development. Adoption of a legal framework that enables establishment of long-term contracts. Secure payments from countries to guarantee private investments avoiding long and often unsuccessful credit recovery procedures. Adoption of internationally accepted technical standards both in the design, development and in the construction phase. Guarantee security at the site, especially in the most politically unstable countries.

- **Lack of Transparency and Reliable Information:** companies emphasized the lack of accessible reliable data for risk assessment and project viability analysis, creating hesitancy in decision-making. This lack of information makes it difficult to perform accurate due diligence and evaluate the viability of projects in specific countries or regions, particularly if the company has no previous direct or indirect experience. At the moment, many companies do rely on other credible partners that executed similar investments in a country as signalling effect, such as the presence of a large company seen by the perspective of a smaller one, or the presence of MDBs/DFIs which can activate the support of other financial institutions. If these actors are operating in a country or are supporting a specific initiative, it reassures private companies of the existence of “market conditions” .

Possible enablers: Improvements in transparency and data availability such as creation of digital platforms or ad hoc repositories by countries and by sector to support firms willing to operate in Africa would mitigate these challenges. Enhance PPP regulatory requirements in terms of projects preparation standards and justifications (for instance due diligence with comprehensive set of studies to be made available to the market via data room during bidding process).

- **Information asymmetry between public and private sector:** companies often do struggle to deal with local counterparties in all sectors and, due to internal policies on bribery and corruption, cannot rely on the support of local informal brokers and have difficulties in obtaining relevant information on local process and international funds

available to support certain activities they would be interested in (e.g. resources available to start training activities for local workforce, specific subsidies or non-repayable funds).

Possible enablers: creation or improvement of business supporting desk able to support company from regulatory, legal (labour) perspective both at country level or cross-sector also leveraging on the support of international institutions' expertise and know-how. Creation of business offices to improve the development of the investments and cooperation among companies with interest in the country. Improve transparency and ensure the respect of project milestones in bidding processes. Joint market communication from partners (donors/ advisors) and public entities during design, structuring and tendering of infrastructure project. Appointment of strong independent transactions advisors for infrastructure project to serve as a bridge between private and public and to ensure proper communication plan and pertinent information sharing throughout the infrastructure lifecycle to reduce perceived risks.

Focus: Balancing Project-by-Project Initiatives with national and regional infrastructure planning

The transition from a project-by-project approach to country- or regional-based infrastructure planning presents both significant opportunities and challenges.

A project-by-project approach is valuable due to its ability to address specific local needs and deliver immediate, tangible benefits. Smaller-scale projects can also serve as testing grounds for innovative solutions that can later be scaled. Additionally, a project-by-project approach fosters flexibility and innovation by allowing for experimentation and adaptation to local conditions. This can be instrumental in refining projects before broader regional implementation. Prime example of this approach can be found in the PGII pilot projects and capacity building at the community level such as the Angola Solar Energy Project or the Vaccine Production Facility in Senegal, creating a pipeline of scalable innovations.

A shift to country or regional based infrastructure planning can enhance scalability, coordination, and economic connectivity, it also introduces complexities related to risk management and stakeholder alignment. The PGII framework, with its focus on cross-border infrastructure corridors, can provide valuable tools to address these challenges by leveraging a multi-stakeholder, programmatic approach that aligns with both regional and national priorities.

Country-based strategies are essential for addressing specific national needs. Infrastructure-focused funds and national banks play a crucial role in establishing clear objectives, securing financing, and enlisting experienced financial experts to engage institutional investors. Long-term planning is vital for providing clear direction to both governments and the private sector, involving fiscal allocation and institutional capacity building.

In this context, a key aspect of increasing private sector involvement is National-Level Aggregation, which groups smaller projects into larger portfolios, considering potential bankability concerns, enhancing their attractiveness to private investors. National Development Banks also play a critical role by managing credit risk, providing financial stability, and acting as intermediaries between local projects and international investors.

At the continental level, AfDB is advancing the Program for Infrastructure Development in Africa (PIDA), which focuses on cross-border projects linking multiple countries. AfDB has identified 70

critical projects under PIDA and is financing additional cross-border initiatives, such as the Abidjan and Lobito Corridors.

The African Virtual Investment Platform (AVIP), a joint initiative of the African Union Commission and the OECD, will work on gathering quality and timely data and information to enhance the transparency of the investment landscape in African countries and improve investment and infrastructure-related policies through capacity building and policy dialogue initiatives. In 2024, AVIP has been identified by G7 Leaders as a key tool to support the PGII agenda in Africa. Its activities will begin in 2025 with a number of pilot countries in all African regions, with a view of gradually expanding coverage to the rest of the continent. A key component of AVIP is the focus on accelerating and scaling up quality infrastructure investment, building on and expanding the on-going project undertaken in collaboration with AUDA-NEPAD.

Country platforms, like the GIF-CFLI India Case Study, demonstrate how these tools bring together governments, development partners, and private investors to overcome regulatory challenges. Building institutional capacity is also crucial, as seen with Kenya's PPP Committee, which has been effective in scaling PPP programs.

The shift to a regional-based approach fosters economic connectivity and enables large-scale projects that span multiple countries. Regional planning provides comprehensive solutions by addressing interdependent infrastructure needs, such as energy and transport, while also capitalizing on synergies across sectors. Initiatives like PIDA and the infrastructure component of AVIP exemplify this approach by promoting cross-border infrastructure projects that enhance trade and economic cooperation. Pooling data and information, expertise and resources is another advantage of regional approaches, enabling higher quality and efficiency through the collaboration of multiple countries.

However, a key challenge of regional approaches is the complexity of coordination. Aligning regulatory frameworks, managing diverse stakeholder interests, and achieving standardized practices across countries can slow project implementation. Risk management is another challenge, as regional projects involve multiple stakeholders with varying risk profiles.

To improve regional approaches, enhancing cross-sector integration and standardizing processes is crucial. Collaborative platforms and best practices are vital for managing risks and improving project development. PGII supports initiatives like the Energy Transition Accelerator Financing (ETAF) platform, which provides resources for integrated, sustainable energy projects and labels, which offer standardized assessments to ensure projects meet high sustainability standards, making them more attractive to private investors.

Collaboration among governments, development banks, and the private sector is essential for streamlining processes and aligning efforts. As mentioned, a key example is the Lobito Corridor, which highlights the need for coordinated efforts. Regional platforms that unite governments, development partners, and private investors can help overcome regulatory barriers and support the development of regional strategies. Improving early-stage project preparation, capacity building, and private sector engagement is key to increasing the number of projects that reach financial close.

PGII can play a pivotal role in promoting access to reliable data and information, cross-sector integration, standardizing processes, and fostering collaboration through regional platforms. By supporting project-by-project and both regional and country-based efforts, PGII can enhance the ability to aggregate projects, share knowledge, and align national priorities with broader development goals. A structured policy dialogue with African stakeholders can support better mutual understanding and the implementation of policy reforms.

Box III – Challenges and enablers for private sector involvement in Balancing Project-by-Project Initiatives with national and regional infrastructure planning

Private sector actors highlighted the importance of balancing localized, smaller-scale project initiatives with national and regional planning strategies:

- **Project-by-Project Approach:** Companies appreciate the flexibility of individual projects, which allows for tailored solutions and innovation but even small projects do require dealing with a huge number of multiple stakeholders, not always “easy to deal with”, which often limits private initiatives. In fact, firms refer interest for high value projects also to amortize high fixed costs but they must be endorsed by local institutions and be inserted in the overall country infrastructure strategy.

Possible enablers: Pilot projects, possibly aggregating smaller projects, are seen as valuable learning opportunities to explore new business ventures, which can then be scaled up but need some external and/or institutional support, either from the country where the project is located or from local stakeholders or those with extensive local experience.

- **Country-Level Planning:** Companies do refer a tendency to operate in specific countries where they have already experience or where reliable partners do operate as a way to mitigate unpredictable risks.

Possible enablers: Grouping smaller projects into larger portfolios could make them more attractive for investment. National strategies could help companies understand long-term infrastructure needs, fostering clear and stable investment environments. Making available to private companies a list with a certain number of key projects for a selected number of countries considered as priority by the international community and by local governments.

- **Regional Planning:** Although regional projects offer scalability and broader economic benefits, companies noted the difficulties in aligning regulatory standards across borders. In addition, the overall stability of conditions in various countries is considered a huge deterrent to act in more than one African country at the time (e.g. political and economic risks).

Possible enablers: regional projects require strong cross-border coordination and harmonized regulations across countries to succeed. Leveraging existing regional bodies and collaborative platforms that integrate technical, regulatory, and financial expertise are critical to improving regional projects’ feasibility. These aspects should then go hand-in-hand with risk mitigation tools (e.g. insurance against political risk in all countries involved in the project).

3.2.2 Development: Creating a Strong Project Pipeline and Fostering Collaborative Approaches

The development phase is critical for turning initial concepts into investable projects, ensuring they are both financially viable and ready for execution. A well-prepared project pipeline is key to attracting investment, as it helps mitigate risks and ensures that projects align with long-term strategic goals.

Establishing a strong pipeline requires a focus on early-stage project preparation, risk mitigation, and the integration of climate resilience measures - all of which can be leveraged within the PGII framework to promote greater private sector involvement and project readiness.

To create a more robust project pipeline, it is essential to increase early-stage capital allocation. Platforms like the Global Infrastructure Facility (GIF) and initiatives like the AfDB Project Preparation Facility play a crucial role by providing risk capital, often through grants, that can help de-risk projects and attract private sector interest from the outset. However, there is still room to expand access to such funding mechanisms, particularly for projects in emerging markets that face higher financial and political risks. More targeted funding at this stage would enable projects to meet international standards, making them more attractive to investors, especially for climate-resilient and green infrastructure projects. In this context, the EBRD is also planning to expand its presence in Africa starting in 2025, focusing on six countries in Sub-Saharan Africa. Its upstream PPP project preparation facility — which, for example, enabled the preparation of dry port PPPs in Egypt — will also be available to support projects in the region.

Furthermore, enhancing collaborative approaches among public and private stakeholders is essential for aligning priorities and mobilizing resources effectively. Governments, PDBs, MDBs, and DFIs must work closely together to streamline project preparation, share expertise, and leverage private sector capital. The Alliance for Green Infrastructure in Africa (AGIA), for example, is an important initiative that brings together multiple stakeholders to mobilize \$500 million to catalyse \$10 billion in green infrastructure investments. This type of collaboration not only pools resources but also ensures that projects align with sustainability goals, creating a more favourable investment climate.

One area where the development phase can be further improved is in asset recycling. Initiatives such as the WBG and AfDB's asset recycling program assess existing public infrastructure that can be repurposed for private sector involvement. By focusing on assets that have already passed the construction risk phase and are under public sector management, these programs can offer lower-risk opportunities for private investors while freeing up public funds for new projects. Since 2023, WBG have developed a set of Asset Recycling Guidelines to support governments in selecting, preparing, and delivering asset recycling transactions.

To build a stronger project pipeline, it is also essential to integrate climate risk and sustainability from the early stages of project design. Institutions like the European Bank for Reconstruction and Development (EBRD) already emphasize climate resilience, as seen in its support to the port sector in Morocco, where measures were implemented to mitigate the effects of rising sea levels. The WBG has also been actively integrating climate change considerations into infrastructure projects across Africa through the Climate Toolkits for Infrastructure PPPs (CTIP3) which assist governments in identifying climate risks and opportunities throughout project lifecycles. The toolkits are being piloted in twenty countries.

These efforts could become standard practice across all infrastructure projects within PGII framework, ensuring that climate risks are proactively addressed and that infrastructure is built to last.

Box IV – Challenges and enablers for private sector involvement in the development phase of the infrastructure life cycle

In addition to the cross-phases topics highlighted, companies interviewed cited **several key challenges** hindering their involvement throughout the infrastructure life cycle in Africa. The most

prominent additional obstacles, and related possible enablers, in the second phase of the cycle include:

- **Infrastructure Gaps:** A lack of supporting infrastructure (e.g. roads, electricity, and water access) increases operational costs and reduces the viability of larger projects. These gaps can delay project implementation and increase risks for private investors. Logistics in some countries cause a substantial cost increase in the construction and operation of infrastructure.

Possible enablers: Development logistic and infrastructure backbones (corridors) to connect natural resources, production centres with demand and export centres. Support industrial cluster development. The development of logistic is an important enabler for the implementation phase both construction and operation. For the operation is important, in addition, the access to spare parts and the access to site in safety conditions.

Focus: Enhancing infrastructure development and bankability through Project Preparation and climate resilience

In emerging markets and developing economies, where grant resources for technical assistance and project preparation are often limited, a significant challenge for infrastructure projects, particularly those featuring climate-resilient characteristics, is posed by the scarce bankability.

As highlighted in the OECD G20 report on approaches for financing and investing in climate-resilient infrastructure too, mainstreaming climate resilience can be a key enabler for improving the viability of climate-resilient infrastructure projects. This approach can further support the integration of climate considerations into project planning and financing, ultimately enhancing their bankability.

To best address this issue, it is essential to enhance the efficiency and effectiveness of resource utilization. The PGII framework can play a crucial role in this endeavour by fostering the collaboration and capacity building needed to infrastructure development and bankability.

Support for project preparation is vital for creating a pipeline of investable projects. This encompasses upstream activities such as feasibility studies, regulatory frameworks, and technical assistance, which bridge the gap between project conception and financing. Project Preparation Facilities (PPFs) are instrumental in this process, and improving their capacity is essential to ensure that projects meet international sustainability and resilience standards.

Strengthening the technical expertise of governments and institutions through programs like the Africa Infrastructure Fellowship Program is another essential component. These initiatives improve project management and align projects with investor expectations. Many infrastructure projects encounter difficulties in securing private investment during their early development phases. PGII addresses this challenge by providing early-stage support through grants and risk capital, funding crucial elements such as feasibility studies, legal frameworks, and environmental assessments. By preparing projects for subsequent financing stages, PGII mitigates risks and enhances their bankability, making them more appealing to private investors.

In this context, initiatives like the Catalytic Capital Fund, including the TURF (Transformational Urban Resilience Fund) led by Meridiam and the Rockefeller Foundation, aim to ensure that projects are adequately prepared and attractive to private investors. These funds focus on enhancing project preparation to meet the standards necessary for securing private sector financing, de-risking projects, and ensuring they have the required structure and backing to be considered investable. By

equipping officials with the skills to manage complex infrastructure projects, these initiatives increase the likelihood of successful implementation and contribute to developing a robust project pipeline.

Early climate risk assessments are crucial for making infrastructure projects appealing to private investors, as integrating climate resilience from the outset mitigates future risks. Funds like the Climate and Environmental Window (CEW) and tools such as the above mentioned WBG Climate Toolkits for PPPs support early-stage climate risk assessments, ensuring projects are designed for long-term sustainability. Another useful approach is to include adaptation considerations into environmental risk assessments or country adaptation plans, ensuring that projects are not only resilient to current climate impacts but also adaptable to future changes.

The Global Infrastructure Facility (GIF) plays a key role in screening projects for climate adaptation and mitigation measures, facilitating the integration of climate risk analysis into technical designs. This is particularly vital given the growing demand for adaptation projects, especially in sectors like water management, exemplified by initiatives such as the Dakar Electric Bus Rapid Transit and the Volobe Hydroelectric IPP.

PGII also promotes carbon markets, providing additional financial incentives for infrastructure projects. By linking projects to carbon credits, developments that reduce carbon emissions can generate extra revenue, aligning with global climate goals and attracting investors focused on sustainable initiatives. In this context, sustainable Infrastructure Labels help identify projects that meet environmental, social, and governance (ESG) criteria, making them more attractive to investors prioritizing sustainability. Ensuring adherence to high ESG standards facilitates access to financing from institutional investors committed to green and socially responsible investments.

Improving the efficiency of project preparation facilities and leveraging digital tools like the Project Preparation Facility Finder and the Africa Virtual Investment Platform enhances stakeholder coordination, identifies preparation gaps, and ensures a strong pipeline of projects ready for financing. Technical assistance encompasses upstream project preparation and advisory services, a renewable energy action program, implementation support, and the EBRD Green Cities program - a \$5 billion initiative aimed at assisting cities in developing green city action plans.

Collaboration among MDBs, PDBs and DFIs is essential for optimizing grant resources and building a robust pipeline of climate-resilient, bankable projects. By pooling resources and expertise, they can jointly support the preparation of projects that align with long-term sustainability goals. PGII fosters this collaboration through joint initiatives and knowledge-sharing, improving project quality and investment appeal. These combined efforts, driven by PGII's support for technical assistance, project preparation, and capacity building, effectively address the critical challenges of bankability and climate resilience in infrastructure projects. By promoting streamlined processes, integrating climate risk, and fostering regional collaboration, PGII ensures that infrastructure development aligns with sustainability goals, attracting private sector investment and fostering long-term growth across emerging markets.

Box V – Challenges and enablers for private sector involvement in infrastructure development ensuring bankability

Private companies emphasized the need for better project preparation and technical assistance to ensure that infrastructure projects are bankable:

- **Access to Financing/ Early-Stage Capital:** Companies reported that early-stage project funding is often insufficient, particularly for feasibility studies and risk assessments. Many

projects are thus unable to move past the initial stages due to the lack of preparatory capital or guarantees, which are essential for de-risking projects.

Possible enablers: Instruments like credit guarantees and partial risk guarantees would de-risk investments and increase investor confidence. In addition to risk mitigation tools, project preparation funding would create a more attractive project pipeline.

- **Currency and Financial Risks:** Currency volatility and difficulty in converting local currencies into hard currencies (like USD or Euros) were highlighted as major barriers. Currency devaluation can severely impact project profitability, and the lack of reliable financial mechanisms to mitigate these risks is a disincentive for many investors.

Possible enablers: support the diffusion of contracts in strong currencies and the conversion of local currencies when there is lack of USD or Euros availability. Alternatively, ad hoc insurance coverage should be provided at reasonable costs.

- **Long-Term Revenue Certainty:** the private sector emphasized the importance of predictable and secure revenue streams for infrastructure projects, particularly in sectors such as energy, transport, and water.

Possible enablers: greater clarity on government commitments to ensure long-term viability; adoption of contracts compliant with international standard; availability of insurance coverage.

- **Technical Assistance and Capacity Building:** the lack or scarcity of qualified technical skills undermines private companies' confidence that infrastructure projects would be managed and overseen effectively.

Possible enablers: Strengthening the technical expertise of local governments through programs organised by private companies or through joint initiatives with the objective to train local workforce. This is critical to ensure that projects meet investor expectations and international standards and would reduce risks and improve project outcomes. It would be advisable that such programs are co-financed by local and/or international institutions.

3.2.3 Procurement: Mitigating Risks and Incentivizing Investment

The procurement phase addresses the challenges associated with securing private sector investment and ensuring project success. Within the PGII framework, two main areas play a critical role: risk mitigation and incentivizing investment through innovative financial instruments.

A significant aspect of this phase is the perception of risk, which encompasses concerns at macroeconomic, political, and regulatory levels, as well as bottlenecks in preparing bankable projects. These perceptions can discourage potential investors, making it essential to implement effective risk mitigation strategies.

To address the financial uncertainties that often inhibit private investment, financial institutional actors can employ blended finance mechanisms within PGII framework that combine public and private funds to offer risk guarantees and credit enhancements. This includes partial risk guarantees provided by MDBs, PDBs and DFIs, which help lower financial risks and enhance the attractiveness of projects to private investors.

Early-stage capital is crucial for taking on risks, and initiatives such as the AfDB Project Preparation Facility have been specifically created to prepare projects by providing risk capital, primarily in the form of grants, to encourage private sector involvement from the onset. This proactive approach helps to ensure that projects are not only viable but also appealing to investors. Moreover, engaging with institutional actors is essential for building a stronger project pipeline.

By addressing the perception of risk and implementing robust risk mitigation and incentivization strategies, the procurement phase can significantly enhance private sector engagement in infrastructure projects. This comprehensive approach not only fosters a more favourable investment climate but also ensures that projects align with shared goals for sustainable development.

Box VI – Challenges and enablers for private sector involvement in the procurement phase of the infrastructure life cycle

- In addition to the cross-phases topics highlighted, companies interviewed cited **several key challenges** hindering their involvement throughout the infrastructure life cycle in Africa. The most prominent additional obstacles, and related possible enablers, in the third phase of the cycle include **Competition from Low-Cost Competitors**: Several companies raised concerns about the influx of low-cost foreign competitors that prioritize short-term cost savings over long-term sustainability. This has led to a “race to the bottom,” where low-quality construction and operation standards undermine the overall infrastructure quality.

Possible enablers: Support the creation and implementation of local sector standards (e.g. for the permitting and construction license) aligned to international best practices to mitigate competition dumping risk and to enable visibility to investors across the business implementation phase. Alternatively, subject financing of initiatives from international institutions to the adoption of standards of sufficient international standing to protect the quality of the infrastructure and the safety of its operation. For construction and operation, improve access to skilled labour and the development of HSE culture. Guarantee availability of technical support.

- **Lack of Incentives for Sustainable Projects**: Private sector participants expressed a need for greater incentives to invest in sustainable and climate-resilient infrastructure. Current procurement processes often prioritize cost over quality, which discourages companies from pursuing sustainable projects that require higher upfront investment but deliver long-term benefits.

Possible enablers: Companies recommended that governments provide financial incentives such as tax breaks or subsidies for infrastructure projects that incorporate sustainability and climate resilience measures. These incentives would encourage more companies to pursue sustainable infrastructure projects, even if they require higher upfront costs.

Focus: Closing the infrastructure financing gap: the role of risk mitigation and innovative financial instruments in attracting private sector investment

To effectively close the infrastructure financing gap, particularly in emerging markets, risk mitigation and innovative financial instruments are critical. PGII can play a vital role in this area by promoting tools that reduce risks, facilitate access to finance, and enhance the appeal of infrastructure projects to investors. By addressing challenges such as high capital costs, currency volatility, and regulatory uncertainties, PGII is instrumental in unlocking private capital for essential infrastructure development.

Risk Mitigation is central to making infrastructure investments more attractive to the private sector. Investors are often deterred by high capital costs and uncertainties, especially in developing regions. PGII aims to tackle these issues through a variety of de-risking mechanisms. Among these, it is possible to mention De-Risking Instruments, such as partial credit and risk guarantees, which help share risks between public entities and private investors. These tools lower barriers to entry for private capital by offering guarantees that cover aspects like loan defaults or project delays, thereby reducing the perceived financial risks associated with infrastructure investments.

Developing robust de-risking instruments is vital for attracting private investors to emerging markets. For instance, building creditworthy State-Owned Enterprises (SOEs) and sub-national entities can mobilize commercial finance. The support from the Public-Private Infrastructure Advisory Facility (PPIAF) has led to significant improvements in financial sustainability, exemplified by the Port Authority of Douala's successful acquisition of over \$160 million loan from different local banks.

Blended Finance is another approach PGII advocates, where public funds are combined with private capital to mitigate investment risks. This strategy leverages government resources or development finance to de-risk projects, making them more appealing to private investors. By absorbing early-stage risks, public funds can catalyze significant private sector participation in infrastructure projects, particularly in countries with weaker sovereign debt ratings. The World Bank Group's guarantee platform, which integrates products from the International Finance Corporation (IFC) and Multilateral Investment Guarantee Agency (MIGA), is essential for de-risking projects and enhancing their attractiveness to private investors. Another important enabler is the African Trade and Investment Development Insurance (ATIDI) – the largest African insurer for political risk, a supranational entity owned in majority by African governments, used by many private investors and supported by several Export Credit Agencies (e.g. from Italy, Spain, Japan, Poland and UK). Hybrid PPP model, that structure government support into PPP transactions, can be a powerful tool to achieve project bankability and affordability.

To further incentivize private investment, G7 PDBs and DFIs may support within PGII framework the development of new financial instruments and markets, providing additional revenue streams and risk mitigation options. Innovative financial instruments such as guarantees, foreign exchange risk solutions, and equity options are actively being developed. These tools help mitigate specific financial risks, such as currency fluctuations, which are common concerns in emerging markets. Expanding the availability of these instruments may help bridge financing gaps and improve the overall bankability of infrastructure projects.

Local currency financing is another possible strategy to mitigate exchange rate risks and align financing with local economic conditions. Factors driving local currency financing include well-designed projects, stable macroeconomic environments, and deep, liquid capital markets. Engaging local private sector entities, such as pension funds and strategic investment funds, can provide a steady stream of capital for infrastructure projects. Additionally, utilizing platforms like TCX to hedge foreign exchange (FX) risk can further enhance the stability and attractiveness of investments denominated in local currencies.

The focus on risk mitigation and innovative financial instruments in the procurement phase of the infrastructure life cycle is essential for closing the infrastructure financing gap. By reducing risks through blended finance, guarantees, and early-stage support, PGII enables private investors to engage in infrastructure projects that align with both financial and sustainability goals. Initiatives that offer continental benefits, such as cross-border transport networks or regional energy infrastructure, should be prioritized. Projects promoting regional integration, like the African Continental Free Trade Area (AfCFTA), can have transformative economic impacts by boosting intra-African trade, improving market access, and increasing the continent's competitiveness. These efforts not only attract private capital but also ensure that infrastructure projects contribute to long-term economic growth and climate resilience in emerging markets such as the African continent.

Box VII – Financial instruments as key enablers for private sector involvement

Private companies do appreciate the availability of **financial instruments as possible enablers** that could help bridge the infrastructure financing gap in Africa, despite them being limitedly available. Among them:

- **Risk Mitigation Instruments:** the need for comprehensive risk mitigation tools was a recurring theme. Companies highlighted the importance of financial products such as credit guarantees, currency hedging, and political risk insurance to protect investments in high-risk environments. These instruments can help safeguard against defaults, currency fluctuations, and political disruptions.
- **Insurance for Political and Economic Risks:** political risk insurance was identified as an essential financial tool to protect against changes in government policy, expropriation, or political unrest, which can negatively impact infrastructure projects. Private investors rely on such instruments to reduce exposure to unpredictable risks.
- **Local Currency Financing:** companies stressed the importance of mitigating currency risk, which has been a major deterrent for investment. Providing local currency financing or hedging mechanisms would reduce exposure to exchange rate volatility.
- **Blended Finance:** this approach, which combines public and private capital to reduce risk, is seen as essential for financing large-scale infrastructure projects. The involvement of multilateral development banks (MDBs) in providing partial risk guarantees and credit enhancements would make projects more bankable.
- **Guarantees and Risk Mitigation Tools:** partial risk and credit guarantees are necessary to share financial risk between public entities and private investors. Companies are keen on seeing MDBs and public development banks expand these instruments to cover a broader range of infrastructure projects.

3.3 List of recommendations and concrete actions to support PGII's goals

As highlighted in the chapter, the urgency of advancing sustainable infrastructure investments in Africa is paramount. The continent faces a myriad of challenges that hinder private capital mobilization, from regulatory uncertainties to inadequate institutional capacities. In this context, the Partnership for Global Infrastructure and Investment (PGII) must take decisive action to create an enabling environment that not only attracts private investment but also aligns with broader goals of sustainability and resilience.

The following strategic recommendations are designed to address these key barriers and capitalize on existing opportunities within the African infrastructure landscape. Each recommendation aims to provide concrete actions that stakeholders can implement to foster a more conducive investment environment. By focusing on comprehensive risk mitigation, strengthening institutional governance, and enhancing regulatory frameworks, we can collectively pave the way for transformative infrastructure projects that will drive economic growth, social development, and environmental sustainability across the continent.

These recommendations serve as a roadmap for G7 PDBs and DFIs, national and international stakeholders who are committed to unlocking the potential of sustainable infrastructure investments. By systematically applying these strategies, the PGII can effectively mobilize private capital, facilitate innovative solutions, and ultimately contribute to a prosperous and resilient future for Africa, as well as for EMDEs more broadly.

The following table sums up recommendations by clustering them to the appropriate infrastructure lifecycle phase they are applicable to:

ENTIRE INFRASTRUCTURE LIFECYCLE

Strengthen Institutional Capacities and Governance

The effectiveness of infrastructure projects is often contingent upon the capacity of government to implement, coordinated across government, and effectively communicate about PPI programs. Investing in capacity-building initiatives is essential for empowering these institutions to manage projects effectively, this is not a one-time endeavour but requires consistent and coordinated support overtime to deliver a PPI program at scale. By enhancing governance and operational efficiency, stable public-private partnerships can drive successful infrastructure development.

Leverage Public-Private Collaboration for Institutional Strengthening

Building resilient institutions requires robust collaboration between the public and private sectors. Fostering partnerships that leverage the strengths of both sectors will enhance institutional capacity and effectiveness in managing complex infrastructure projects.

Continue to coordinate efforts between stakeholders to maximise impact

It remains crucial to maximising synergies between existing initiatives, as well as creating them with new ones, to ensure coordination among stakeholders and across platforms at a country and regional level to offer optimal solutions to country governments and leverage comparative advantages of various initiatives.

PLANNING

Enhance Data Transparency and Accessibility

Reliable data is fundamental for informed decision-making in the investment process. Promoting the creation of digital platforms and sector-specific data repositories will enable better access to information. By reducing data asymmetry, private companies will find it easier to navigate complex regulatory landscapes and make sound investment choices.

Strengthen sector and investment planning

Attracting private investors to finance infrastructure development is critical to achieve universal access goals. Supporting governments in addressing fundamental sector challenges will be critical for fundamentally improving the bankability of infrastructure projects in the long-term. In the interim, supporting Governments with multi-year investment planning, including selecting and prioritizing investments for private participation, will be important to expanding the range of funding opportunities for infrastructure development.

Create Business Support Desks

Navigating regulatory frameworks can be challenging for companies seeking to invest in infrastructure. Establishing business support desks will provide essential guidance and resources, facilitating smoother market entry and operational processes. This support will enhance the overall investment experience.

Operationalize Robust and Predictable Regulatory Frameworks

A predictable regulatory environment is crucial for long-term investments. Advocating for transparent and harmonized regulations across African nations will provide the clarity and stability needed for investors to confidently commit their resources. Such frameworks will reduce uncertainties and promote a more attractive investment climate.

Foster Regional Integration and Cross-Border Collaboration

Many infrastructure projects extend beyond national borders, necessitating collaboration among countries. Developing frameworks for regional integration will harmonize technical and regulatory standards, facilitating smoother project execution. Regional cooperations bodies could be supported in this area, to create harmonized frameworks, prioritizing projects and common approaches to fiscal management. Enhanced cooperation will maximize resource utilization and optimize project outcomes across the region.

Support the Development of Pilot Projects and Aggregation of Small-Scale Initiatives

Pilot projects serve as valuable testing grounds for innovative investment models and strategies. By aggregating smaller projects into larger portfolios, stakeholders can achieve economies of scale, which will attract institutional investors. This approach not only demonstrates viability but also encourages broader participation in sustainable infrastructure development.

DEVELOPMENT

Develop Strategic Infrastructure Corridors and Industrial Clusters

To stimulate economic growth, it is vital to connect natural resources with key markets. Investing in infrastructure backbones, such as transport and logistics corridors, and supporting industrial clusters will enhance regional value chains. This strategic approach will promote sustainable development and economic resilience.

Enhance Transparency and Accountability in Project Execution

Trust between public entities and private investors is vital for successful project execution. Implementing transparency mechanisms and accountability measures will ensure adherence to project milestones and build confidence among stakeholders, fostering a more collaborative investment environment.

Enhance Technical Expertise and Workforce Development

Local technical expertise is essential for effective project implementation. By investing in targeted training programs in the long-term and workforce development initiatives, stakeholders can strengthen the skills and capabilities of the workforce. This investment will lead to improved project outcomes and reduced operational risks.

Promote Long-Term Assurances from Governments

For private investment to thrive, governments must demonstrate a clear commitment to infrastructure development. By providing long-term assurances, including adherence to international standards and stable policy environments, governments can create the reassurance investors need to engage in meaningful investments.

PROCUREMENT

Facilitate the Adoption of International Standards and Best Practices

Aligning local regulatory and operational procurement standards with internationally recognized benchmarks ensures that infrastructure projects meet global quality and sustainability requirements. This alignment will mitigate competitive price disparities and enhance the overall credibility of projects, attracting more investment.

Implement Incentives for Sustainable and Climate-Resilient Projects

Financial incentives play a significant role in driving investments towards sustainability. By introducing tax breaks or subsidies for projects that prioritize climate resilience and sustainable practices, governments can encourage more companies to pursue innovative and environmentally friendly infrastructure solutions.

Promote Financial Innovation and Inclusion

Diverse financing options are crucial for the success of infrastructure projects. Supporting the development of innovative financial instruments, such as blended finance solutions and local currency guarantees, can address liquidity constraints and broaden access to project funding. This approach will help create a more resilient investment landscape.

Deploy Comprehensive Risk Mitigation Instruments

Attracting private investment in infrastructure projects requires a thorough understanding and management of inherent risks. By implementing a suite of risk mitigation tools — such as partial risk guarantees and comprehensive insurance coverage — stakeholders can effectively reduce the perceived risks associated with these investments. This approach will significantly enhance investor confidence, making it more appealing for them to commit capital.

