

# Infrastructure: Crisis & Response

Energy Week 2009

# Impacts of global financial crisis in infrastructure

- Developers/countries cannot implement new infra projects
  - Absence of commercial debt means many projects cannot close
  - IFIs “last resort” for funding
  - Many cancellations & postponements
  
- Projects/companies face potential financial distress from:
  - Liquidity issues → Inability to roll-over market-based funding
  - Reduced demand → Need to deleverage/recapitalize
  - Failure of governments/offtakers to fulfill contracts → greater need for government support/advice
  
- Member Governments face difficult choices:
  - Revert to public sector provision model
  - Scale-down infrastructure agenda
  - Alternative financing options

# Crisis Impact on Infrastructure

IFC and World Bank research shows that between \$67-95 billion of existing and/or new projects could be delayed or suspended due to the financial crisis.

**New Infrastructure Transactions, Total Values by Sector and Region**

Sector	Africa	Asia	LAC	MENA	SECA	Total
Power	2,155	15,505	2,390	4,710	3,075	27,835
Transport	658	5,636	10,897	1,000	10,997	29,188
Utilities		40	5,149	2,756	2,260	10,205
<b>Total</b>	<b>2,813</b>	<b>21,181</b>	<b>18,436</b>	<b>8,466</b>	<b>16,332</b>	<b>67,228</b>

•Proprietary IFC research

**New Infrastructure Transactions, Total Values by Effect and Region**

Effect	Africa	Asia	LAC	MENA	SECA	Total
Potential Delay	2,188	16,961	12,196	4,816	3,585	39,796
Delay	625	4,220	6,240	3,650	12,747	27,482
<b>Total</b>	<b>2,813</b>	<b>21,181</b>	<b>18,436</b>	<b>8,466</b>	<b>16,332</b>	<b>67,228</b>

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**Impact of the crisis on private participation projects**

	Africa	Asia	EAP	LAC	MENA	ECA	Total
Raised financing but at higher cost	\$375	-	\$1,116	\$989	-	\$1,524	\$4,003
Project restructuring due to crisis	-	-	-	-	-	\$2,500	\$2,500
Delayed	-	\$8,900	\$1,070	\$8,827	\$333	\$6,825	\$25,955
Delayed potentially	\$392	\$15,997	\$12,258	\$8,297	\$1,788	\$17,296	\$56,028
Canceled potentially	-	-	-	\$35	-	-	\$35
Canceled potentially (more than financial crisis issues)	-	-	-	-	-	\$3,500	\$3,500
Canceled	\$450	-	-	\$1,900	-	\$450	\$2,800
<b>Total</b>	<b>\$1,217</b>	<b>\$24,897</b>	<b>\$14,444</b>	<b>\$20,048</b>	<b>\$2,121</b>	<b>\$32,095</b>	<b>\$94,821</b>

•Proprietary Public-Private Infrastructure Advisory Facility (PPIAF) research

# Crisis Response

## Infrastructure Crisis Facility to bridge lack of access to private funding markets

Create a facility to:

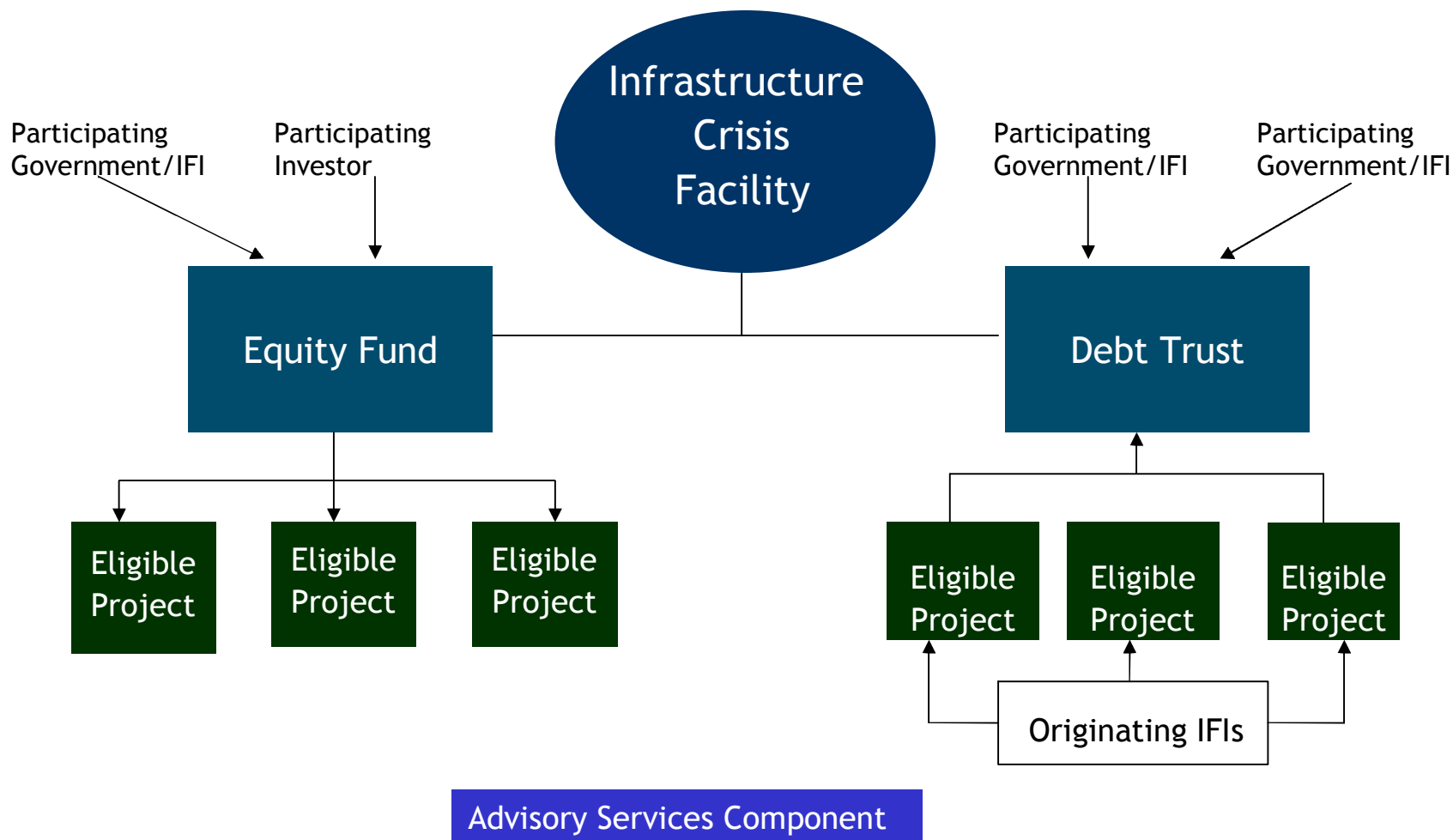
- Act as a substitute for temporarily not available commercial financing
- Expand resources available to “IFI club” to increase available pool of funds



Investment objective:

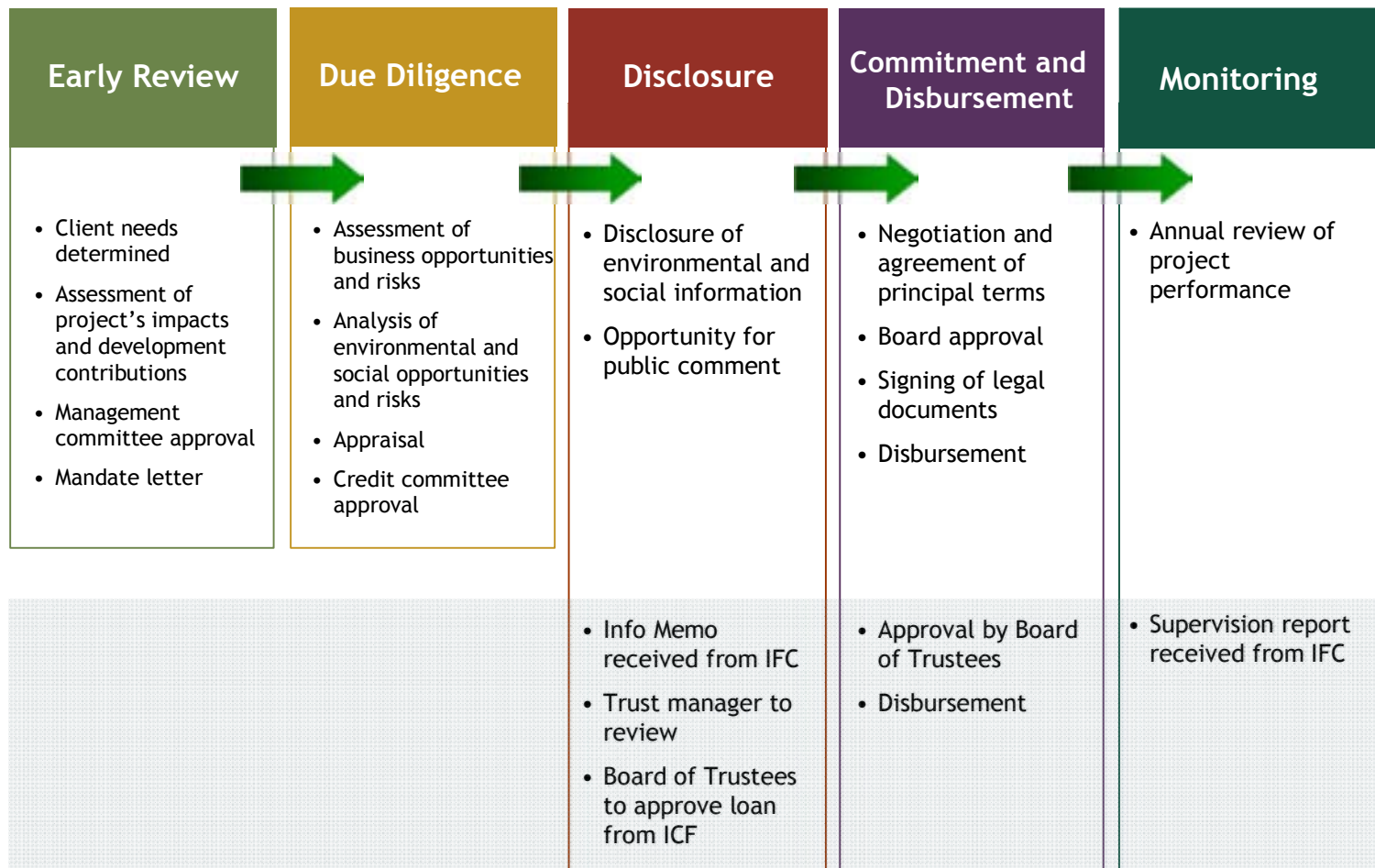
- 1.) Stabilize viable *existing* infrastructure investments at risk
- 2.) Continue flow of *new* infrastructure investments by supporting new project development

## 2. Infrastructure Crisis Facility Structure



# Investment Process of the Debt Trust

## (IFC as example of originating IFI)



**ICF  
Debt  
Trust**

# Development Impact of the ICF

- Major impact:
  - In the traditional sense of enabling expansion of delivery of basic services, economic growth and trade facilitations
  - In the crisis-specific sense of avoiding disruptions in the existing provision of services from projects which may encounter liquidity difficulties
  - Governments turn to infrastructure to “Prime the Pump”
  - Substantial short-term employment to counteract otherwise rising unemployment
  - While also creating long-term economic value
- Enable member governments of emerging markets to expand the impact they could have through their own resources
- Enable donor governments of developed countries to align support to developing countries with their domestic economic approach at a time of crisis

# Keeping PPI Going

- The Infrastructure Crisis Fund expects to mobilize from \$3-\$10B
- Projected reach:

<i>Facility Size</i>	<b>\$ 3.0 B</b>	<b>\$ 10.0 B</b>
# transactions	60	200
Inv. mobilized	\$18 B	\$60 B
People reached	300 m	1,000 m

- Status: \$1.5 B indicative commitments
- Target Launch: June 2009