



Overcoming the Global Infrastructure Funding Gap

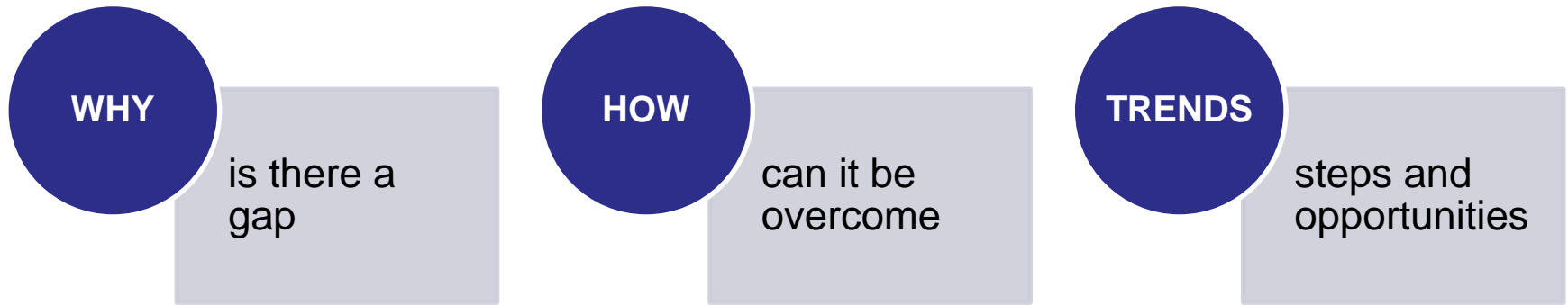
The Infrastructure Equaliser:
Playing on all Settings
Structures, Focus and Resilience

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Global Group Head
Finance & Projects



Pinsent Masons

Structures, Focus and Resilience



Why is there a gap?

- \$1 trillion infrastructure deficit
- The greatest deficit is in the most difficult geographies and sectors
- The greatest gap is in emerging and developing economies

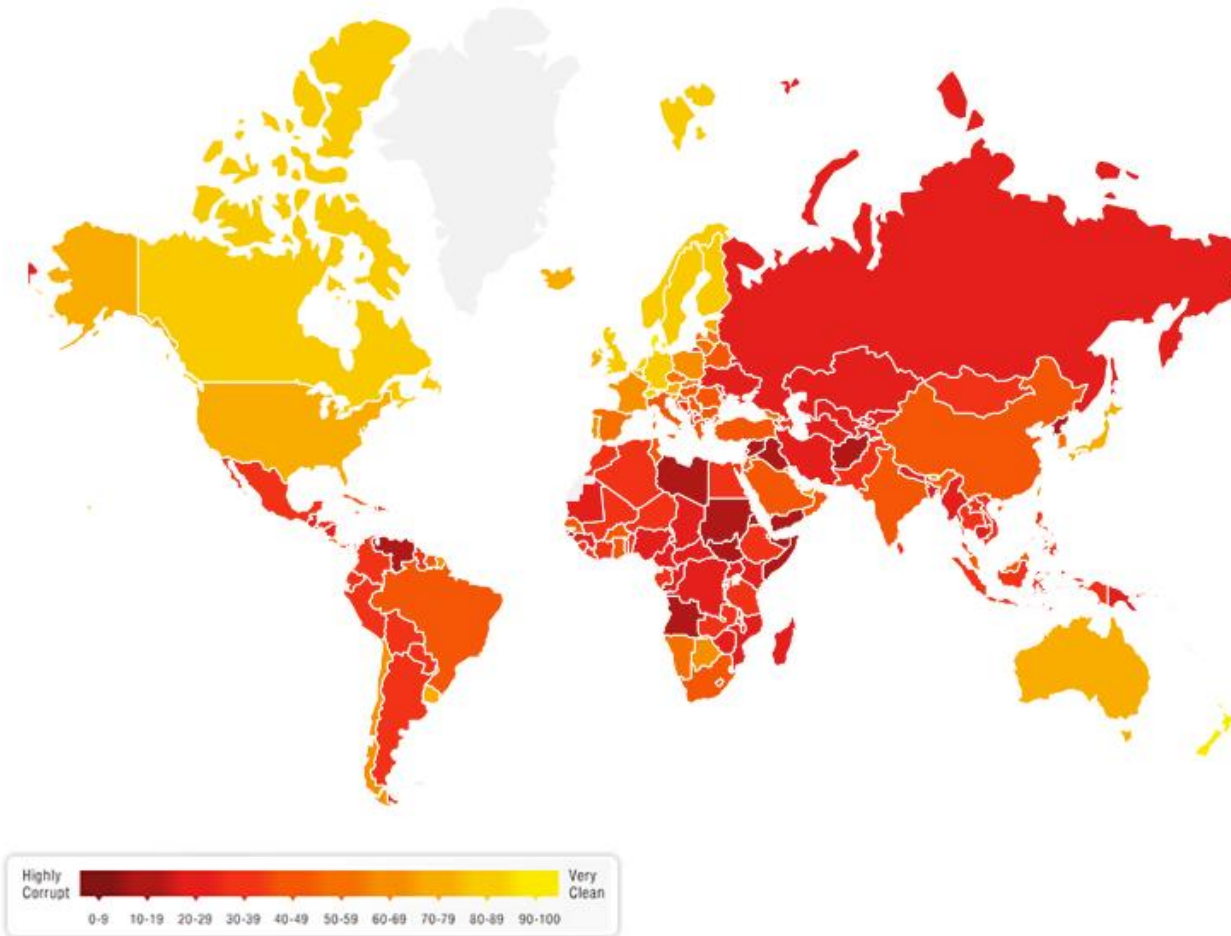
Why is there a gap?

Global competitiveness index (WEF)

	WEF Rank	WEF Scoring
France	7	6.10
USA	9	6.01
Germany	10	6.0
UK	11	5.96
Spain	12	5.88
Canada	16	5.7
Australia	28	5.27
Ireland	31	5.11
Russian Federation	35	4.93
Greece	38	4.89
Poland	44	4.70
China	46	4.66
South Africa	61	4.31
Mexico	62	4.30
India	66	4.22
Brazil	73	4.11

Why is there a gap?

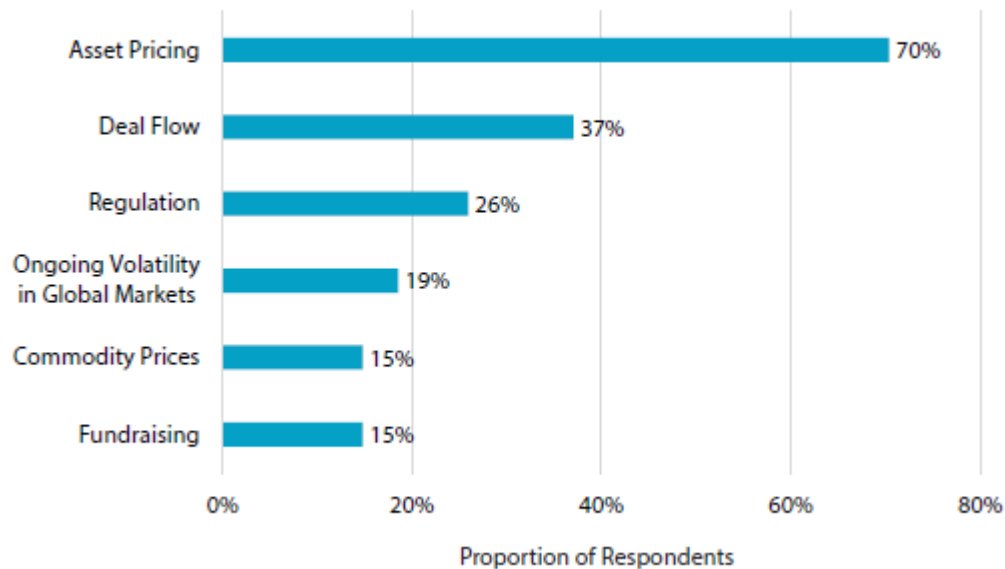
Corruption perception index (Transparency Intl, 2016)



Why is there a gap?

Financing market perceptions...

Fig. 9: Fund Manager Views on the Biggest Challenges Facing the Infrastructure Industry in the Next 12 Months

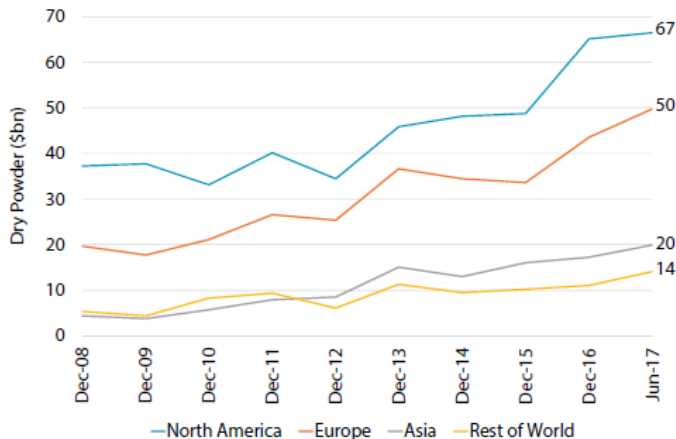


Source: Preqin Fund Manager Survey, June 2017

Why is there a gap?

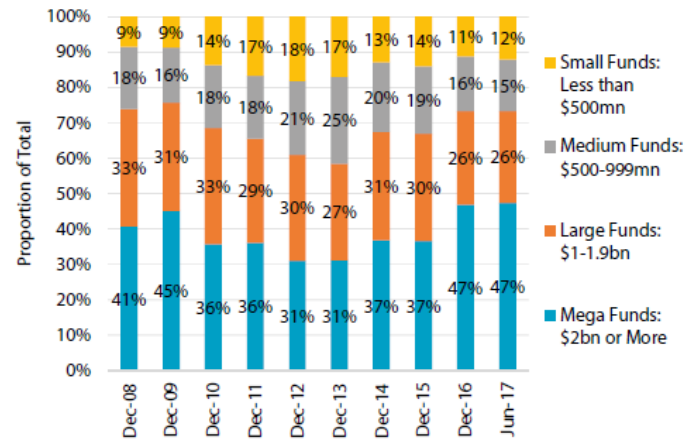
- Financing is available in the markets
- Dry powder...(\$151bn+)

Fig. 20: Unlisted Infrastructure Dry Powder by Fund Primary Geographic Focus, 2008 - 2017



Source: Preqin Infrastructure Online

Fig. 21: Unlisted Infrastructure Dry Powder by Fund Size, 2008 - 2017



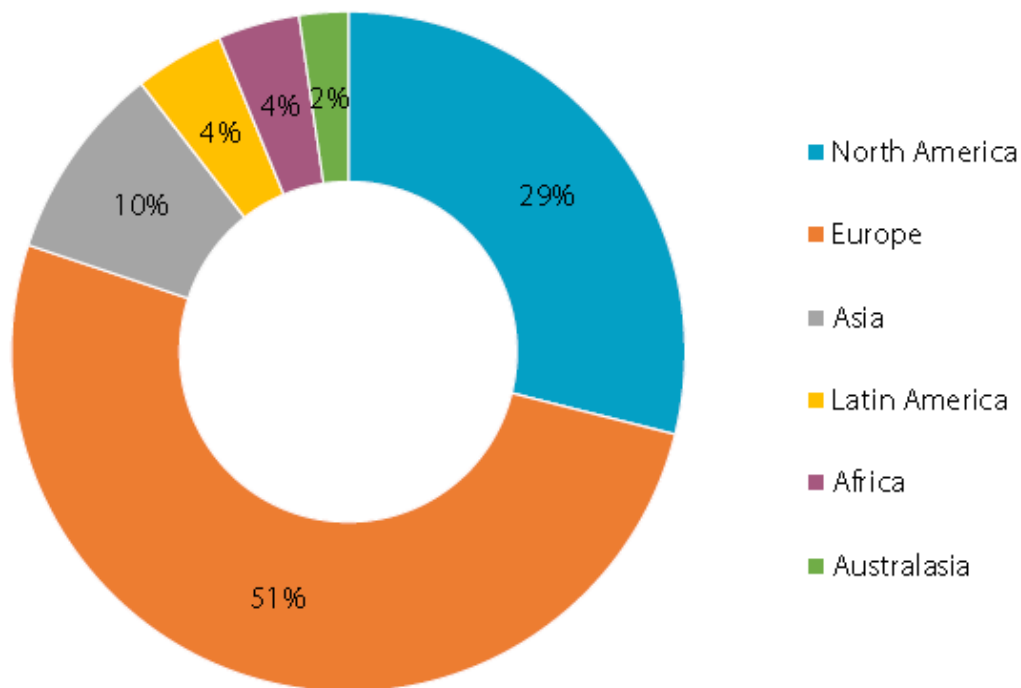
Source: Preqin Infrastructure Online

Total dry powder held by infrastructure funds stands at \$151bn as at June 2017 (Fig. 20). North America-focused funds have added the least dry powder (\$2bn) since the beginning of the year, while Europe-focused funds have added the most (\$6bn).

Why is there a gap?

Investors like certain geographies

Fig. 15: Completed Infrastructure Deals in Q2 2017 by Region



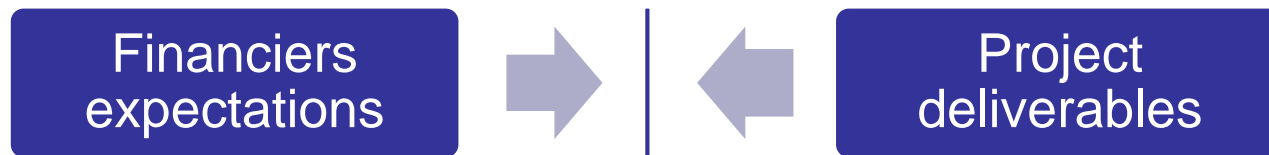
Source: Preqin Infrastructure Online

Why is there a gap?

- Financing needs to be focussed towards the greatest need/opportunity
- Funding is critical to deliver investable projects
- Funding renders the project investable/bankable
- It's not all about government support or political intervention
- What do investors / financiers need?

Why is there a gap?

- Biggest opportunities are in emerging/developing markets
- Where the greatest structuring challenges are:
 - Political (stability)
 - Economic (credit)
 - Pipeline (visibility)
 - Supply chain (immature)
- Close the gap between:



How? – Mature Economies

*Differentiate Mature and Emerging Economies
Need to focus on market failure and address it*

Mature Economies (OECD)	Sources of finance and funding challenge
<ul style="list-style-type: none">• Meet social needs	<ul style="list-style-type: none">• Banks (local/International)
<ul style="list-style-type: none">• Refurbish existing infrastructure	<ul style="list-style-type: none">• Bonds
<ul style="list-style-type: none">• Kick start productivity growth	<ul style="list-style-type: none">• Credit enhancement
<ul style="list-style-type: none">• Address Energy security and Smart Energy	<ul style="list-style-type: none">• Pensions and Insurance markets/Funds
<ul style="list-style-type: none">• New technologies and InfraTech/Digitalisation	<ul style="list-style-type: none">• Risk capital
<ul style="list-style-type: none">• Regulated/consumer pays	

“Crowding in” finance from multilaterals/DFIs to address new markets or technologies (e.g. offshore wind, digitalisation, Smart Cities)

How? – Emerging Economies

*Differentiate Mature and Emerging Economies
Need to focus on market failure and address it*

Emerging Economies	Sources of finance and funding challenge
<ul style="list-style-type: none">• Increasing urbanisation	<ul style="list-style-type: none">• Development Banks, Multilaterals
<ul style="list-style-type: none">• “Economic” infrastructure	<ul style="list-style-type: none">• Role of funding sources (Government)
<ul style="list-style-type: none">• Transport and Utilities	<ul style="list-style-type: none">• Local and International Banks work together
<ul style="list-style-type: none">• Greenfield projects	<ul style="list-style-type: none">• ECAs, Guarantees or credit enhancements

“Crowding in” finance from a range of institutions to address political risk, new geographies, credit rating and stability issues.

How? – Emerging Markets

Pipeline and Credibility

- The “issues”
 - Legal, technical, financial and governance
 - Visibility of the pipeline
 - Risk identification
 - Land and Site preparation
 - Stakeholder management
- Solutions
 - Project preparation and feasibility facilities (World Bank, GIF, EBRD etc.)
 - SOURCE/Sustainable Infrastructure Forum (Multilateral Bank collaboration)
 - Standardisation
 - In country expertise and knowledge

Trends and Next Steps

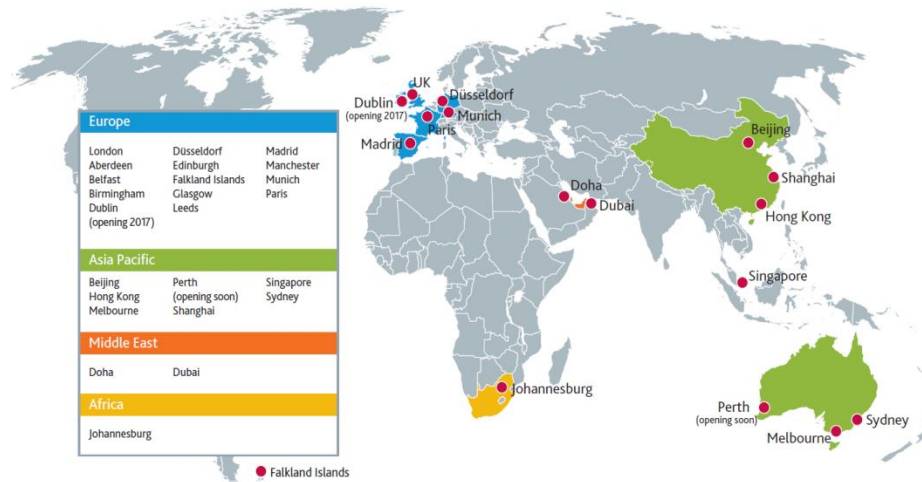
- Techniques and approaches from mature markets will migrate to emerging and developing markets. Examples include:
 - Debt funds supported by multilaterals
 - Aid and International development programmes to encourage private involvement
 - Credit enhancement
 - National infrastructure Banks
 - National infrastructure Plans
- But the markets are converging
- Crowding in, not Crowding Out finance



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- **Winner** – Construction Law Firm of the Year 2017, Whos Who Legal
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- Angola
- Argentina
- Bahrain
- Bangladesh
- Benin
- Bolivia
- Botswana
- Brazil
- Brunei
- Bulgaria
- Burkina Faso
- Cayman Islands
- Central African Republic
- Chad
- Chile
- China
- Colombia
- Comoros Islands
- Cyprus
- Democratic Republic of Congo
- Egypt
- Equatorial Guinea
- Ethiopia
- Eritrea
- Gabon
- Cambodia
- Ghana
- Guyana
- Hong Kong
- India
- Indonesia
- Iran
- Iraq
- Ireland
- Israel
- Ivory Coast
- Jordan
- Kazakhstan
- Kenya
- Kuwait
- Latvia
- Lebanon
- Lesotho
- Liberia
- Libya
- Lithuania
- Lobito
- Madagascar
- Malaysia
- Mali
- Maldives
- Mauritius
- Mauritania
- Melbourne
- Mongolia
- Morocco
- Mozambique
- Namibia
- Niger
- Nigeria
- Oman
- Panama
- Pakistan
- Peru
- Philippines
- Qatar
- Romania
- Russia
- Rwanda
- Saudi Arabia
- Senegal
- Sierra Leone
- Somaliland
- South Africa
- South Sudan
- Sri Lanka
- Sudan
- Sydney
- Syria
- Singapore
- South Korea
- Taiwan
- Tanzania
- Thailand
- Togo
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- Uruguay
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- West Bank
- Yemen
- Zambia





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