News Release

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New Report Provides Blueprint to Close Infrastructure Financing Gap

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- New World Economic Forum report, Infrastructure Investment Policy Blueprint, provides recommendations on how governments can attract private capital to public infrastructure projects while creating clear social and economic value for citizens
- Political risk emerged as one of the most pressing concerns for infrastructure investors
- The report is part of the World Economic Forum ' s Global Strategic Infrastructure Initiative
- Download the report here

New York, USA, 11 February 2014 – The importance of infrastructure as a key driver of growth, competitiveness and social well-being is well established. Yet, as highlighted in the World Economic Forum ' s new report, Infrastructure Investment Policy Blueprint, a significant number of economically viable infrastructure investments are not moving forward. The global investment shortfall in infrastructure is estimated to be at least US$ 1 trillion per annum. Enhanced participation from the private sector, while not a complete panacea, could do much to close this gap.

The report was overseen by the World Economic Forum ' s Global Agenda Council on Long-Term Investing, which is comprised of thought leaders from institutional investors and academia. Chair of the Council **Danny Truell** said, " Within this report, we have set out a series of practical steps that can be taken by governments to increase the flow of long-term capital into infrastructure projects. Improving collaboration between the public and private sectors, including national and regional governments, corporates and investors, is a key part of this. "Truell is the Chief Investment Officer of Wellcome Trust, United Kingdom.

“ While there is a significant supply of capital in many parts of the world today, the ability to attract and availability of patient, long-term capital is much more constrained. As a global institutional investor with an exceptionally long investment horizon, we target opportunities where returns are commensurate with the risk that we are taking. Under the right conditions, including an independent and predictable regulatory framework, infrastructure assets are ideally suited for the type of investor like CPPIB, ” said **Mark Wiseman,** President and Chief Executive Officer, Canada Pension Plan Investment Board (CPPIB), Canada.

“ Infrastructure is a necessary condition for economic development and prosperity. It is also at the nexus of public and private actors, each with their own paradigms and vocabularies, ” said **Michael Drexler,** Senior Director and Head of Investors Industries at the World Economic Forum. “ With this effort, we hope to bring those paradigms closer and enable joint efforts in creating infrastructure the world so badly needs for a prosperous and sustainable future, ” he added.

The report details major recommendations, including:

- More projects need to be structured with appropriate risk allocation and clear investment propositions for the private sector. Projects should be developed with the understanding that investors are " global shoppers " for infrastructure and will rank opportunities based on their risk-adjusted returns.
- Governments need to proactively address political risk, which has emerged as one of the most pressing concerns for infrastructure investors in both emerging and developed markets. Numerous contract and regulatory structures are suggested that can better align public and private sector incentives and reduce renegotiation risk.
- Develop an ongoing pipeline of investment opportunities that will give private sector players the confidence to build internal capabilities and local expertise.
- Consider capital recycling – whereby existing brownfield assets are either leased or sold to raise funds for greenfield projects – as an effective strategy to attract private capital while bringing new infrastructure online.
- Address the tremendous costs and time delays often incurred in infrastructure procurement processes. For example, task a public-private partnership unit with improving the efficiency of the procurement process by increasing standardization and providing technical skills to line agencies. Where possible, mandate fixed deadlines for regulatory or environmental approvals and streamline processes by appointing a lead agency to manage and coordinate the process.

The report is part of the World Economic Forum ' s Global Strategic Infrastructure Initiative. This initiative brings

together governments, business, investors and civil society to:

1. Develop new models for project preparation financing to enable more bankable projects to move from early concept phase to feasibility studies
2. Share, disseminate and learn from infrastructure best practices and frameworks through an interactive virtual collaboration system known as the Global Agenda Platform
3. Create long-term investment frameworks to attract private capital at the global and regional levels

The Infrastructure Investment Policy Blueprint was developed with the invaluable support and collaboration of

Oliver Wyman.

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