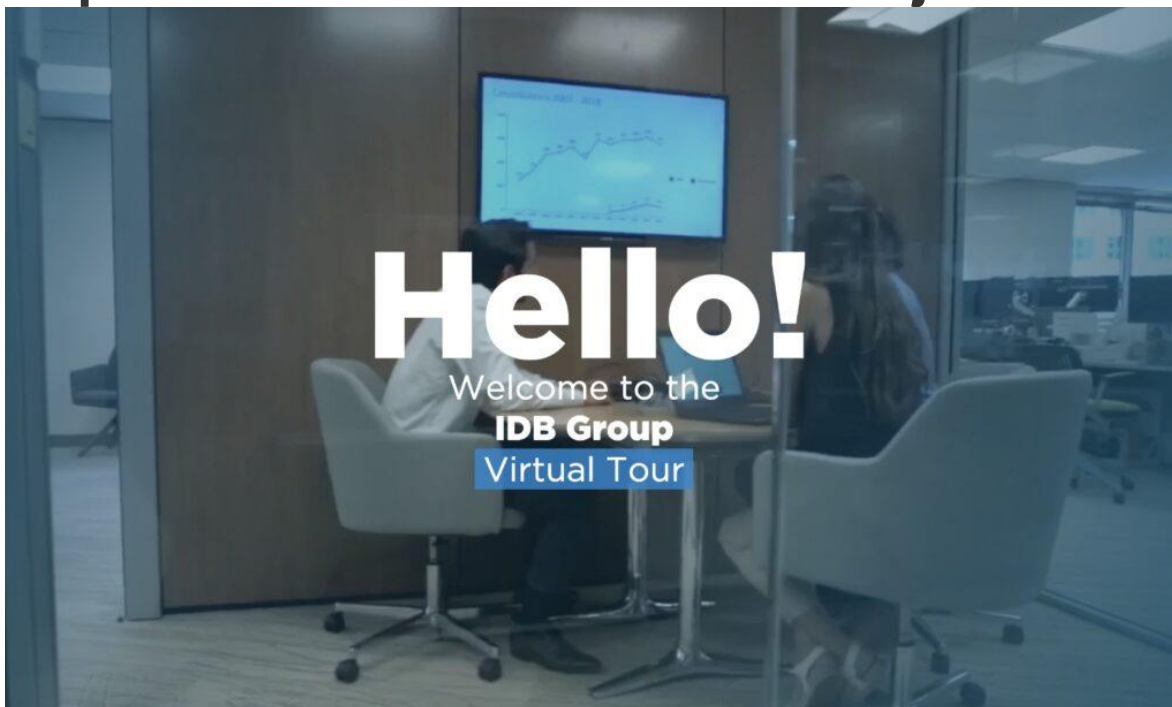


New IDB Study Highlights Role of Public Development Banks in Mobilizing Private Capital towards Infrastructure Projects



CARTAGENA, Colombia – National Development Banks (NDBs) are among the key institutions responsible for long-term financing of infrastructure projects in Latin America and the Caribbean, according to findings from a study to be presented by the Inter-American Development Bank (IDB) during the Finance in Common Summit (FiCS), held from September 4th to 6th in Cartagena, Colombia.

NDBs were the second-largest source of financing, behind the private sector, for projects developed under project finance schemes between 2004 and 2021, with a 20.5% share, according to the study.

The study shows that 26 entities in 10 countries participated in private infrastructure financing under the project finance scheme. Water and energy, with contributions of 24.4% and 23.7% respectively, were the sectors with the highest NDB investments during the same period. The study indicates that the countries where the NDBs are most active in financing infrastructure are Brazil, Mexico, Colombia and Chile.

“Latin America’s public development banks play a strategic role in addressing market failures that hinder greater private sector investment in infrastructure. They are key to getting private investors to see these projects as less risky, and to ensuring that these investments align with

our countries’ sustainable and inclusive development objectives,” said Anderson Caputo, Chief of the IDB’s Connectivity, Markets and Finance Division.

“This study shows a tremendous opportunity to expand the role of NDBs in financing this infrastructure in the region. It also provides important insights about how to develop a comprehensive strategy for public banking to help finance sustainable infrastructure projects and mobilize private capital,” he added.

According to this pioneering analysis, public development banks (PDBs) have helped mobilize private investment by reducing some of the factors that contribute to the private sector’s perception of high risk associated with infrastructure projects. For example, the implementation of standardized programs that provide greater certainty to investors and the use of financial instruments aimed at reducing credit risk have allowed PDBs to contribute to the financial viability of projects. The longer-term financing in local currency offered by PDBs also boosts financial viability and attracts private investment.

In this regard, the study found that NDBs are the largest provider of debt in local currency, which makes up 81% of their total financing, surpassing the private sector and bilateral and multilateral organizations. Furthermore, the financing terms offered by NDBs are longer than those of the private sector and even approach those provided by bilateral and multilateral development organizations.

The study is part of an effort by the IDB and the Latin American Association of Development Financing Institutions (ALIDE) to strengthen NDB operations in the region to help bridge the infrastructure gap in Latin America and the Caribbean through increased private capital mobilization. It is estimated that the region needs to invest \$2.2 trillion by 2030 in the water and sanitation, energy, transportation, and telecommunications sectors to expand and maintain the infrastructure it needs in order to meet the Sustainable Development Goals. This means that, in terms of investment effort relative to the size of the economy, the

region needs to invest at least 3.12% of its GDP in infrastructure each year.

The study recommends strengthening the role of PDBs in developing new infrastructure projects in high-impact social and environmental sectors, enhancing capacities for preparing and structuring financially viable infrastructure projects. Likewise, it suggests channeling public and development resources towards PDBs to develop risk mitigation instruments that attract private investment.

Based on information from IJ Global, one of the world's largest infrastructure and project finance data sources, the IDB developed a new database that analyzes the volume of infrastructure financing by the region's major PDBs, the sectors attracting these investments, and the link between the financing provided to these projects by PDBs and their institutional capacity. The study used a novel method to differentiate the roles of the private sector, national development banks, multilateral organizations, and bilateral development agencies.

About the IDB

The Inter-American Development Bank is devoted to improving lives. Established in 1959, the IDB is a leading source of long-term financing for economic, social and institutional development in Latin America and the Caribbean. The IDB also conducts cutting-edge research and provides policy advice, technical assistance and training to public- and private-sector clients throughout the region. [Take our virtual tour.](#)