



Productivity in infrastructure development and delivery

Global Infrastructure Hub, CEO, Marie Lam-Frendo

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A G20 INITIATIVE



Global Infrastructure Hub

The GI Hub is an independent organisation, established by the G20 to increase the flow and quality of infrastructure investment opportunities in all countries

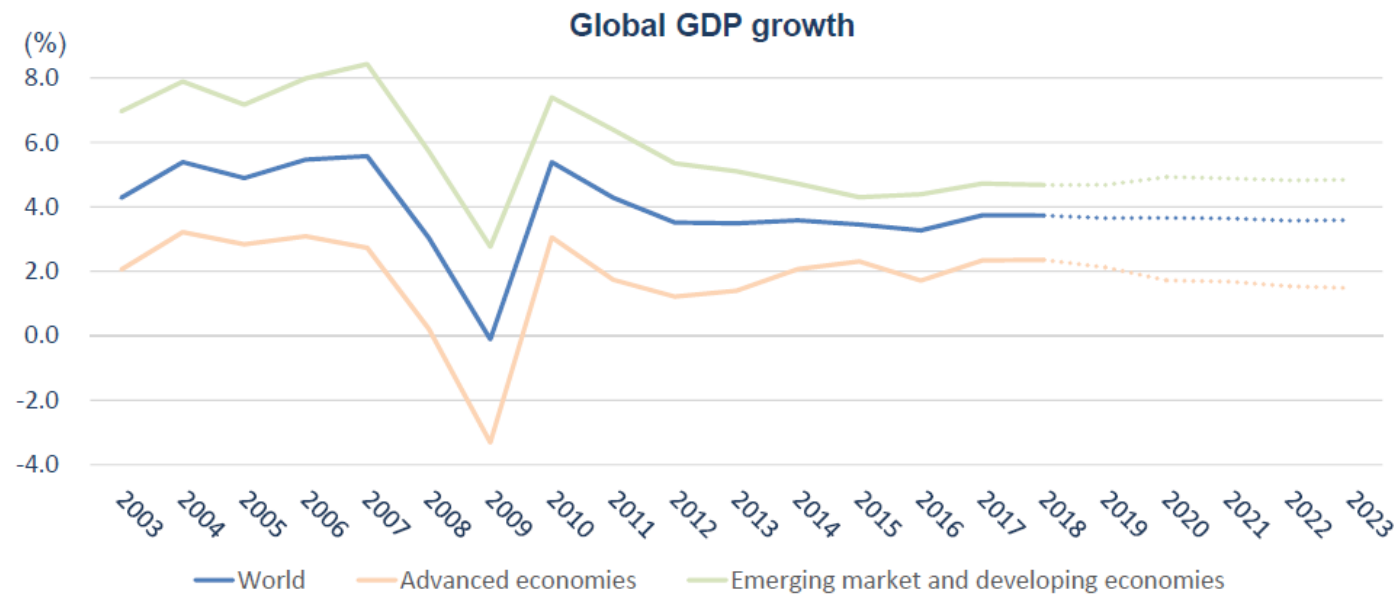
We share data, knowledge and leading practices, and help the public and private sectors work more closely to deliver crucial public infrastructure projects.

The GI Hub is staffed by international infrastructure specialists from the public and private sectors.

I. Global Economy – Risks and Challenges

A. Surveillance of global economic risks

- The G20's ultimate mission is to monitor global economic risks and nip crises in the bud before they develop.
- **Key achievement** : Ministerial discussions on key risks to the global economy



Source: IMF WEO Oct2018 database

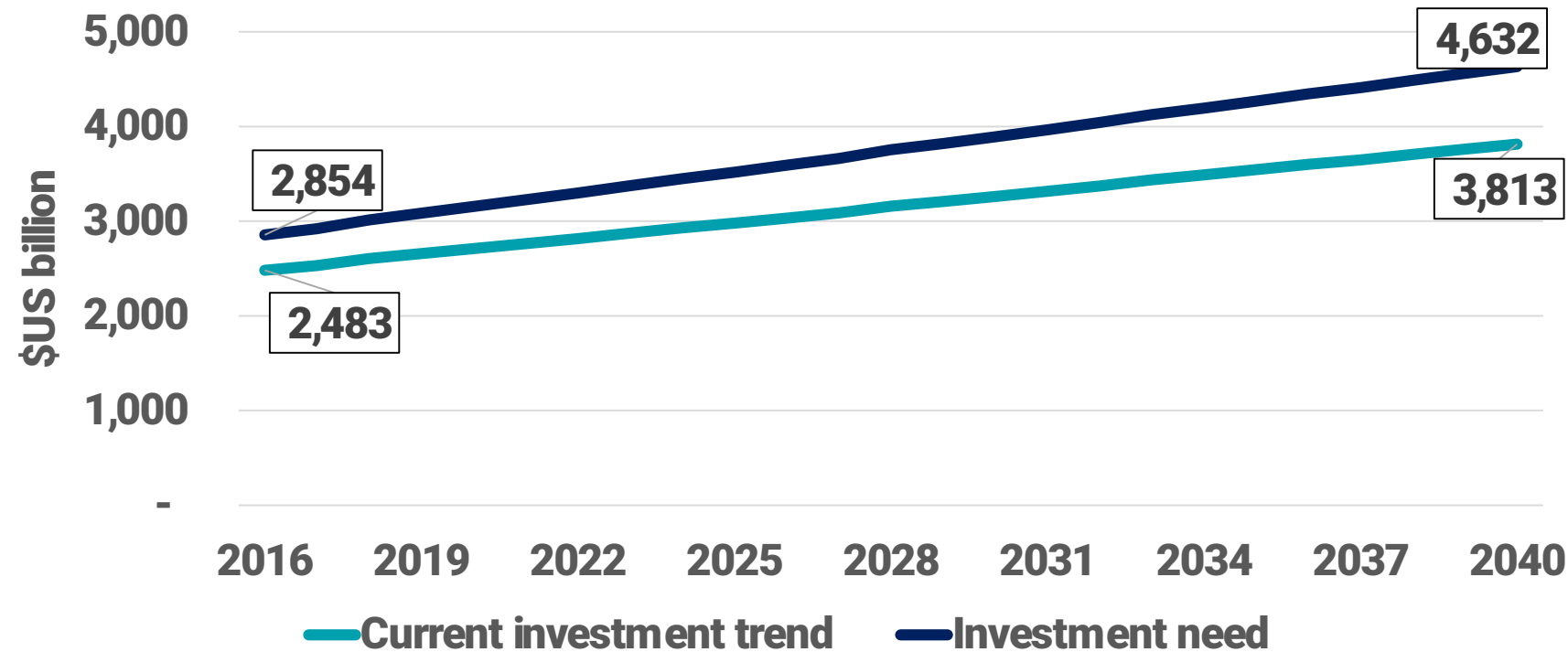


G20 Finance Ministers and Central Bank Governors Meeting
Washington D.C. April 11-12, 2019

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Significant and growing investment needs

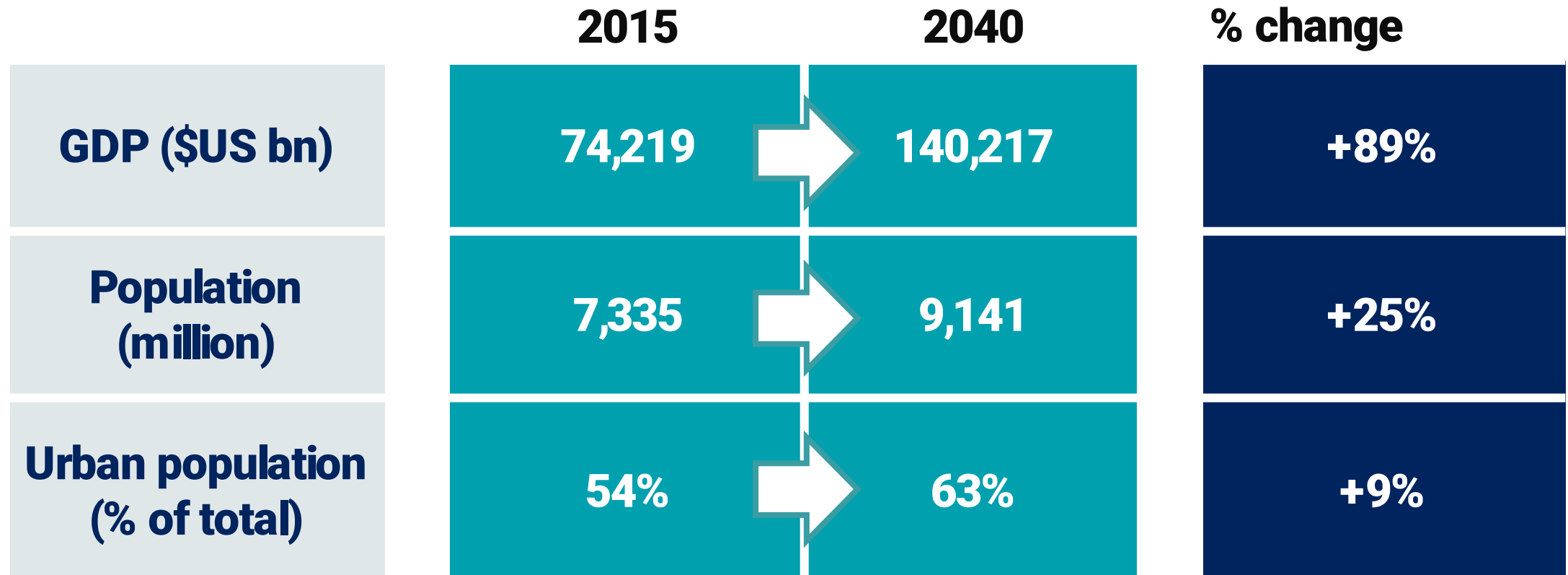
Forecasts of global infrastructure investment 2016 – 2040 (public and private)



- **Current investment trend \$79tn, but \$94tn needed**
- **Total investment gap of \$15tn**

Source: GI Hub

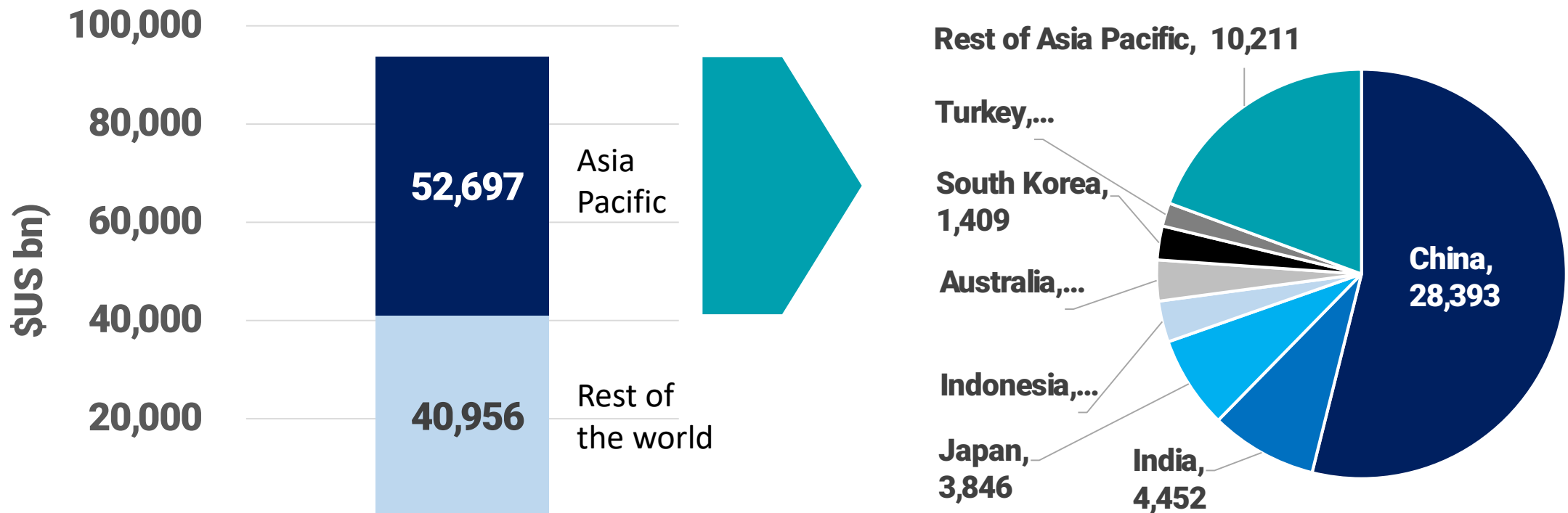
What's driving investment need?



Source: GI Hub, Oxford Economics

Asia Pacific region has the greatest investment need, representing a large opportunity

Asia Pacific investment need compared with world (2016 – 2040 \$US bn)



Source: GI Hub

The investment needs and gaps vary by country in Asia Pacific

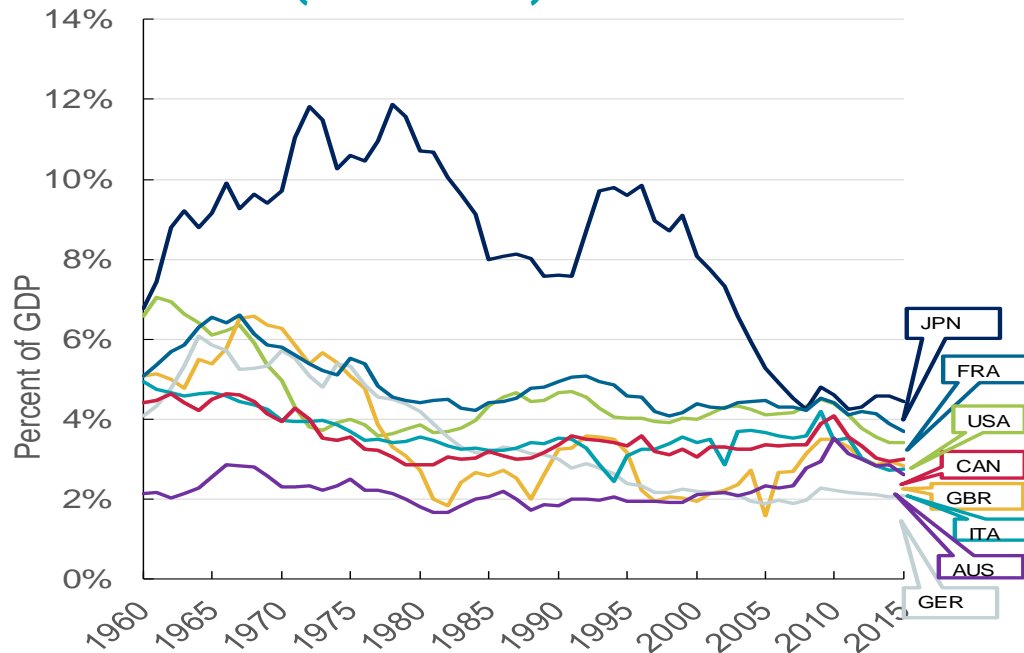
Top five forecasted cumulative investment need and gap (\$US bn)

Investment need \$US bn		Investment gap \$US bn	
1. China	\$28,393	1. China	\$1,925
2. India	\$12,351	2. India	\$526
3. Japan	\$4,452	3. Bangladesh	\$192
4. Indonesia	\$3,846	4. Australia	\$158
5. Australia	\$2,713	5. Pakistan	\$124

Source: GI Hub

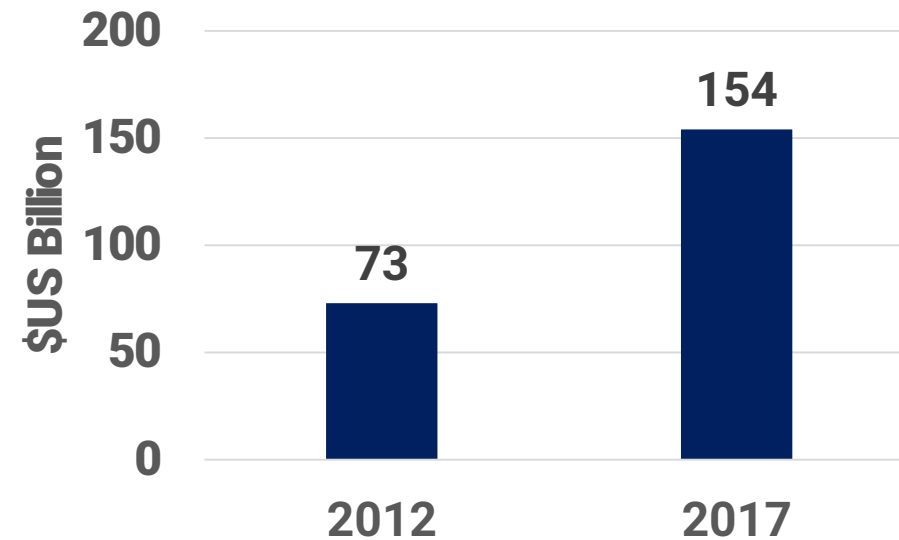
The need for private capital base

Past public investment of major countries (% of GDP)



Source: IMF, GI Hub analysis

Accumulation of uninvested institutional capital



Source: Preqin

Future strong interest in infrastructure investment maintained



INFRASTRUCTURE MARKETS WITH THE GREATEST POTENTIAL IN THE NEXT FIVE YEARS



Source: GI Hub

Continued interest in emerging market infrastructure

43% of investors currently invest in emerging markets.



- **Emerging markets represent \$53 trn of \$94 trn of global investment need**

Source: GI Hub

Continued interest in emerging market infrastructure, but subdued

43% of investors currently invest in emerging markets.



This is an increase from 38% in 2017 and 20% in 2016.

Of those already investing in emerging markets,



intend to increase their investment in the next three to five years.

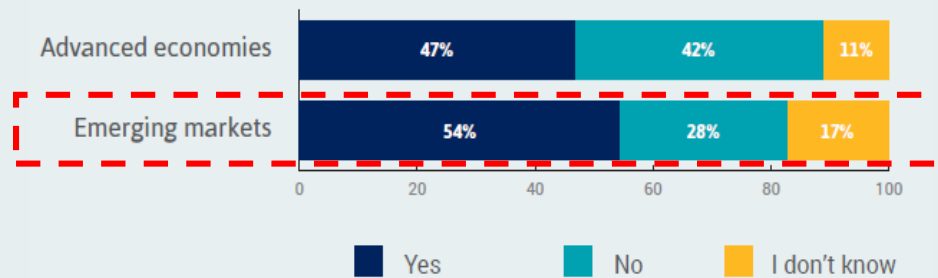
This is a decrease from 94% in 2017.

Source: GI Hub

Two potential reasons for cooling emerging market interest

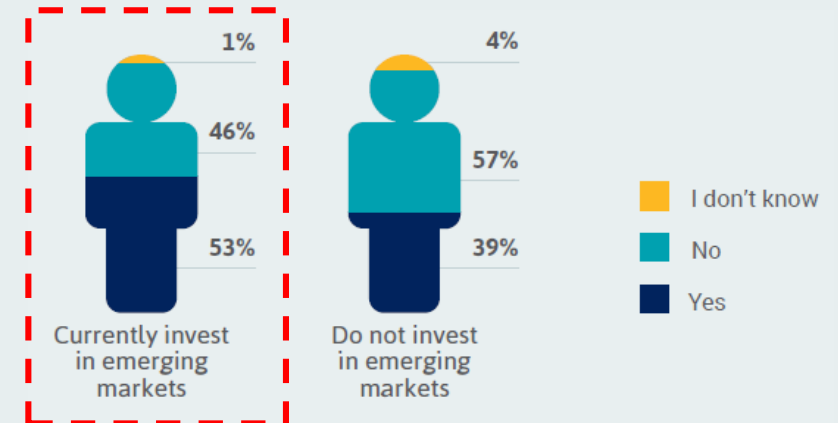
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Almost twice as many investors think that **monetary policy normalisation** will have a negative impact on emerging markets



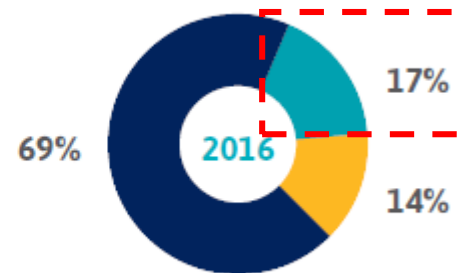
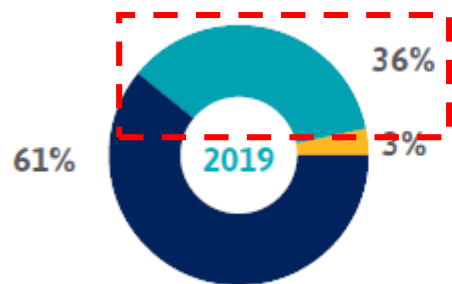
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Foreign exchange risk is seen as a barrier to further investment for the majority of investors already in emerging markets



Source: GI Hub

Environmental, Social And Governance factors matter more now than in the past



- ESG is a first order question, possibly at the expense of performance
- ESG somewhat important but not an overriding consideration
- ESG is unimportant in comparison with missing financial objectives

Source: GI Hub

Current inadequacy of financial benchmarks may constrain development of infrastructure asset class



9 out of 10

investors believe that current financial benchmarks for asset allocation, performance monitoring and risk management are inadequate.

What are the main limitations?

Does not allow for measurement of diversification indicators

Risk Performance

Strategic Asset Allocation

Not representative of overall relevant infrastructure market

Performance Monitoring

Does not measure risk-adjusted performance

Source: GI Hub



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