Productivity in infrastructure development and delivery
Global Infrastructure Hub, CEO, Marie Lam-Frendo
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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

![Global GDP growth chart](source: IMF WEO Oct 2018 database)
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?

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2040</th>
<th>% change</th>
</tr>
</thead>
<tbody>
<tr>
<td>GDP ($US bn)</td>
<td>74,219</td>
<td>140,217</td>
<td>+89%</td>
</tr>
<tr>
<td>Population (million)</td>
<td>7,335</td>
<td>9,141</td>
<td>+25%</td>
</tr>
<tr>
<td>Urban population (% of total)</td>
<td>54%</td>
<td>63%</td>
<td>+9%</td>
</tr>
</tbody>
</table>

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)

- China, 28,393
- Rest of Asia Pacific, 10,211
- Turkey, ...
- South Korea, 1,409
- Australia, ...
- Indonesia, ...
- Japan, 3,846
- India, 4,452

Source: GI Hub
The investment needs and gaps vary by country in Asia Pacific

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

<table>
<thead>
<tr>
<th>Investment need $US bn</th>
<th>Investment gap $US bn</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. China $28,393</td>
<td>1. China $1,925</td>
</tr>
<tr>
<td>2. India $12,351</td>
<td>2. India $526</td>
</tr>
<tr>
<td>4. Indonesia $3,846</td>
<td>4. Australia $158</td>
</tr>
<tr>
<td>5. Australia $2,713</td>
<td>5. Pakistan $124</td>
</tr>
</tbody>
</table>

Source: GI Hub
The need for private capital base

Past public investment of major countries (% of GDP)

Accumulation of uninvested institutional capital

Source: IMF, GI Hub analysis
Source: Preqin
Future strong interest in infrastructure investment maintained

80% of investors want to increase their infrastructure investment in the next three to five years.

Source: GI Hub
Continued interest in emerging market infrastructure

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

43% of investors currently invest in emerging markets.

Source: GI Hub

This is an increase from 38% in 2017 and 20% in 2016.
Continued interest in emerging market infrastructure, but subdued

43% of investors currently invest in emerging markets.

- 2019: [Bar chart indicating the percentage of investors investing in emerging markets, where the percentage is lower compared to previous years.]
- 2017: [Bar chart indicating the percentage of investors investing in emerging markets, where the percentage is lower compared to 2019.]
- 2016: [Bar chart indicating the percentage of investors investing in emerging markets, where the percentage is lower compared to 2017.]

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

Of those already investing in emerging markets, 63% 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

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

2. 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

97% of investors now believe Environmental, Social and Governance (ESG) factors are important considerations in infrastructure investment decisions, an increase from 86% in 2016.

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.

Source: GI Hub

What are the main limitations?

- Strategic Asset Allocation: Not representative of overall relevant infrastructure market
- Performance Monitoring: Does not measure risk-adjusted performance
- Risk Performance: Does not allow for measurement of diversification indicators

Source: GI Hub
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