Partnership on Sustainable Low Carbon Transport

Mobilizing Private Sector Finance for the Realization of Next Generation Sustainable Transport Solutions in Asia

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Funding needs for Transport

Geographic scope	Total infrastructure need	Total transport infrastructure need	Timeframe	Annual transport infrastructure need	Source
Global	N/A	$11trn	2009-2030	$524bn	OECD (2011)
Global	$57trn	$24trn	2013-2030	$1,412bn	The Economist (2014)
Global	N/A	$45trn	2010-2050	$1,125bn	IEA (2014)
Asia Pacific	$8trn	$2.45trn	2010-2020	$245bn	PWC (2014)
Asia	$8trn	$2.25trn	2010-2020	$225bn	ADB Institute (Wignaraja, 2013)
South Asia	$1.7-2.5trn	$400bn-700bn	2013-2020	$58-100bn	World Bank (2013a)
India	$1.1- 1.7trn	$340-595bn	2013-2020	$75bn	World Bank (2013a)
Russia	N/A	$753bn	2011-2020	$84bn	EBRD

Trillions are needed not Billions !

it is unrealistic for limited public sector funding to provide needed investments within the required timeframe, even if complemented by contributions from end users, official development assistance, and climate finance

Shift Transport Funding to Non-OECD Countries

Now 60% of global annual transport infrastructure investment is directed to OECD countries, and 40% of investment is directed to non-OECD countries.

Per IEA, in order to meet a 2DS or 4DS scenario, it is necessary that 60% of investment be directed to non-OECD countries and 40% to OECD countries

Funding for needed investments in non-OECD countries must increase 50% from current levels, and it is unlikely that the public sector is in a position to increase funding by this amount.

Policy Context Private Sector Funding in EST region

Many current policies in the EST region limit the potential of the private sector to contribute to transport infrastructure and services

Countries in the EST region show mixed progress in enabling foreign direct investment (FDI)

Revenues/Revenues/Revenues

Governments need to ensure profitability of investments over a reasonable timeframe

Not enough attention has been given in the EST region to realize successful revenue strategies for (sustainable) transport systms

If social benefits from sustainable transport can be monetized and translated included in revenue streams, private sector investment in these areas is likely to increase

PPP and Sustainable Transport

PPP leaders in the EST region deepen involvement, and that PPP followers make strides to catch up to leaders

- stable legal frameworks
- open procurement processes and transparent risk allocation
- Enforceable dispute-resolution mechanisms

Much larger pipeline of investment projects

Green/Climate Bond Financing

Dedicated “green” or “climate” bonds can help jump-start sustainable low carbon transport investments.

The EST region has seen strong bond issuance in the transport sector, dominated by rail bonds from China

- replicate forthcoming China corporate green bond issuances
- municipal bond issuances by strengthening cities’ credit ratings
- using aggregators to meet issuance thresholds
- to use bond financing to complement PPP projects (e.g. through re-financing)

MDBs and Private Sector Financing of Sustainable Transport

MDBs can help to scale up private sector involvement in sustainable low carbon transport in the EST region by

- leveraging the resources and expanding the capacity of the private sector,
- by using MDBs' higher credit ratings and regional expertise to help reduce project risk and
- facilitate needed governance reforms

increase technical assistance and capacity building in support of private sector involvement

Increase direct private sector funding for transport

Bangkok 2020 Declaration and Bali 3

Out of 20 goals of the Bangkok 2020 Declaration, there are few in which funding responsibility would be solely the task of government

Application of private sector strategies to the Bangkok 2020 Declaration goals across EST member countries has been limited to date

More proactive public sector outreach is required in the EST region to attract private sector investment to scale up sustainable transport, under proper conditions and with realistic expectations

The primary justification for the use of private sector finance is its role to attract private entities to provide infrastructure and services at the lowest possible cost, through appropriate incentives and penalties

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