

Boosting Public Private Partnerships

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Closing the infrastructure financing gap requires innovation and collaboration between public and private sectors to increase the pipeline of investable projects

Infrastructure is fundamental to economic development. It creates jobs, enables trade, strengthens supply chains and expands access to essential services.

Yet the costs are enormous, with critical infrastructure investment forecast to reach over USD100 trillion by 2040¹, with capital needed for everything from power, transport and water systems in emerging markets and developing economies (EMDE) to asset renewal and digital projects in developed markets.

Public funding alone might not be enough to close the gap, particularly in EMDEs. Multilateral Development Banks (MDBs) and Development Finance Institutions (DFIs) are therefore increasing capital mobilisation, with volumes up 27% in 2024 to USD278.5 billion². But that is still far from enough.

One approach will be for MDBs and DFIs to work together with commercial banks to build a stronger project pipeline of investable projects, by de-risking projects, and crowd-in institutional capital at scale. Done well, it has the potential to benefit all parties: clients cut funding costs and build faster, investors gain diversified EMDE exposure, while MDBs and DFIs deliver economic development.

Our role is to determine where risk is best allocated, ensuring that infrastructure projects can be financed on commercial terms. And when public and commercial institutions effectively divide the risk, a much wider range of projects become economically viable.

Capital mobilisation in action

Capital mobilisation comes in many forms, reflecting the diverse toolkit that MDBs can use to support financing needs and infrastructure projects. Below are some of the most commonly used methods:

Guarantee-backed mobilisation – MDBs can guarantee loans or bonds issued by another party, protecting investors against principal or interest loss on default, allowing cheaper access to financing, and supporting the development of new markets.

- A 3-year RMB3.5 billion (USD 478.7 million) Sustainability Panda Bond issued by Egypt, in a deal supported by HSBC, and guaranteed by two MDBs, and the first African deal of its kind³.

Risk-sharing structures – Instead of guaranteeing an individual liability, an MDB and a bank can share the risk on a portfolio of assets. The MDB does not always need to provide funding, allowing it to originate more.

- A USD1 billion partnership between International Finance Corporation (IFC) and HSBC to create a risk-sharing facility to address the USD2.5 trillion global trade finance gap. This includes a framework that creates guarantees from the Multilateral Investment Guarantee Agency (MIGA) to cover state-owned banks under the IFC's Global Trade Liquidity Program. The first facility approved was completed with HSBC⁴.

- A partnership between the European Investment Bank (EIB), HSBC and Hellenic Cables to strengthen Europe's renewable energy value chain⁵ - part of a standing partnership to support Europe's wind supply chain via a dedicated risk-sharing facility.

Co-financing with MDBs – An MDB and a commercial lender each commit capital directly to the same transaction. Such a deal could be structured as two parallel loans, where the MDB and a commercial lender both have a claim on the borrower according to shared terms, or as A/B loan structures where MDBs act as lender of record

- A USD115 million loan agreement that aims to support small and medium-sized enterprises in the Philippines, with a focus on businesses owned by women⁶.
- A USD150 million blue loan to Thai Union, the first of its kind by the ADB to the commercial sector in Thailand to address the sustainability of shrimp supply chain⁷.

Capital markets – MDBs can issue outcome-linked securities or securitise existing loan portfolios to transfer risk to investors. The latter can free up balance-sheet capacity and reach institutional investors at a scale not easily matched via direct lending.

- A 9-year USD225 million principal-protected Amazon Reforestation-Linked Bond issued by the World Bank. The largest outcome bond ever priced by the MDB⁸.
- A USD510 million securitisation, the MDB's inaugural securitisation transaction, repackaging IFC loans into rated securities⁹.

Blended finance platforms – MDBs can use a dedicated vehicle to blend public capital with commercial capital in a tiered structure so capital priced below market costs absorbs the risks, allowing investors to take part on commercial terms.

- The HSBC Real Economy Green Investment Opportunity GEM Bond Fund (REGIO) was launched to boost access to climate finance and help further develop the market for green bonds. Both HSBC and IFC committed USD75 million to the fund¹⁰.
- A USD510 million fund, managed by Pentagreen Capital, that will finance climate-related infrastructure projects that are on the borderline of bankability¹¹.

Across HSBC's MDB and DFI partnerships, these methods already finance infrastructure, across a range of sectors. Closing the gap means scaling them through standardised, efficient structures.

A practical toolkit for effective public-private partnerships

Infrastructure projects are complex undertakings, with many parties relying on successful financing to ensure completion. Below are practical steps that MDBs, DFIs and commercial banks can take to ensure effective collaboration across strategic projects:

- Align early on what each party is best at: MDB and DFIs cover political and credit risk mitigation, bring concessional/subordinated capital, ESG standards and convening power; Banks cover origination, structuring speed, syndication and distribution, hedging, execution discipline.
- Set a risk-allocation blueprint: Ring-fence hard-to-price risks (regulatory, construction/early-stage, FX convertibility/transfer, off-taker/payment) using guarantees, PRI, first-loss/sub debt, liquidity facilities, escrow/waterfalls and agree on a standard term-sheet menu.
- Co-create scalable products: Prioritise repeatable structures (portfolio guarantees, programmatic

facilities, standardised documentation) and originate-to-distribute platforms where banks originate, MDB/DFIs enhance credit, and investors hold long-term exposure.

- Share due diligence and data to speed execution: Align ESG/integrity requirements upfront and use shared investor reporting packs covering both impact and financial performance.
- Coordinate investor engagement: Complement MDB and DFI credibility and standards with commercial bank origination and volumes to increase investor appetite.
- Lean into capital markets: Expand outcome-linked issuance and use securitisation to transfer risk from existing portfolios to private investors, freeing up balance-sheet capacity without requiring new shareholder capital.
- Prioritise trade and strategic infrastructure: Use trade finance guarantee/risk-participation programmes to unlock more working capital for local banks and corporates and crowd in institutional capital, and by jointly originating and structuring bankable investments, combining MDB/DFI de-risking with commercial bank structuring, syndication and hedging to accelerate delivery.

Applying these steps consistently sharpens alignment across MDBs, DFIs, commercial banks and investors, and moves project finance from ideation to execution at pace.

Going forward, the task for MDBs, DFIs, and their banking partners is to build a robust pipeline of projects capable of absorbing large volumes of capital. This will enable the development finance sector to deliver a broader portfolio of strategic assets to finance providers and institutional investors.

Source: <https://www.business.hsbc.com/en-gb/insights/boosting-public-private-partnerships>