

# Infrastructure, SDGs & Finance: Status and Gaps in OIC Member Countries

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## Presentation Plan

- Infrastructure & SDGs: Status in OIC MCs
- Infrastructure Financing Needs & Gaps
- Infrastructure & COVID-19

## Infrastructure: Types & Features

- Infrastructure: Social overhead **capital** producing public goods & services essential for functioning and growth of economies
  - **Economic** infrastructure—energy, telecom, transportation, water & sanitation
  - **Social** infrastructure—education, health, social housing
- Traditionally infrastructure were projects that were large, lumpy, indivisible, capital intensive, long gestation period, long term investments, etc.
- Contemporary infrastructure can be of different sizes and forms
  - Solar panels and micro-hydro power generation units

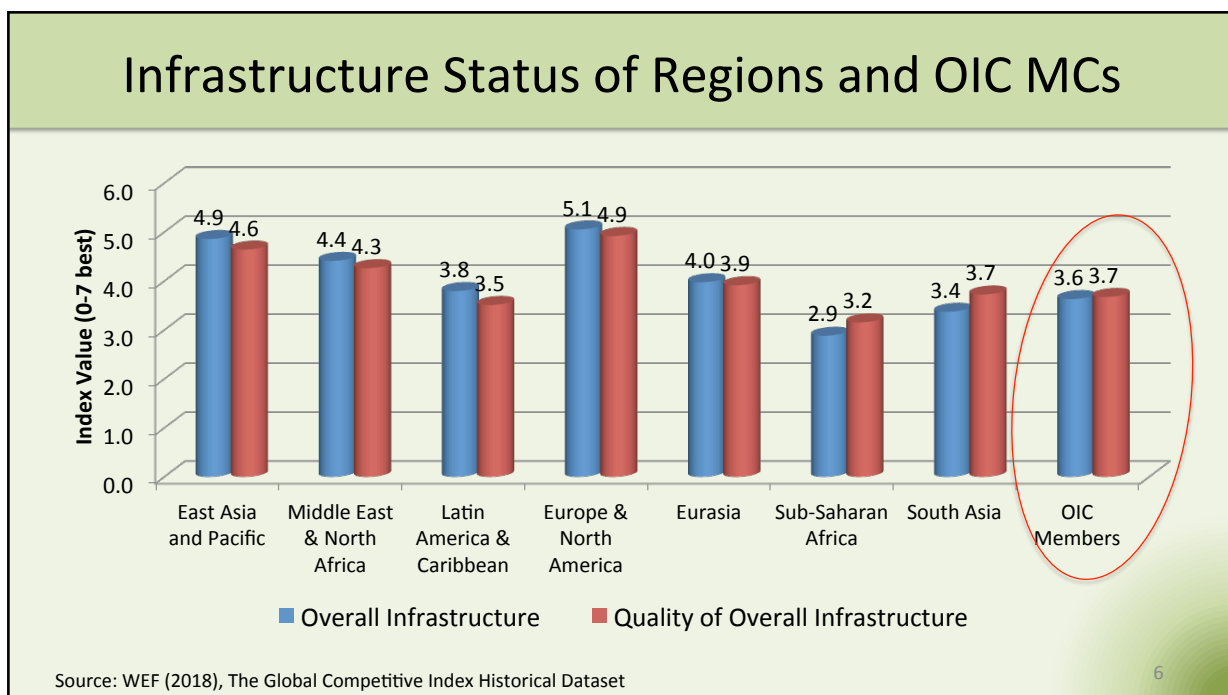
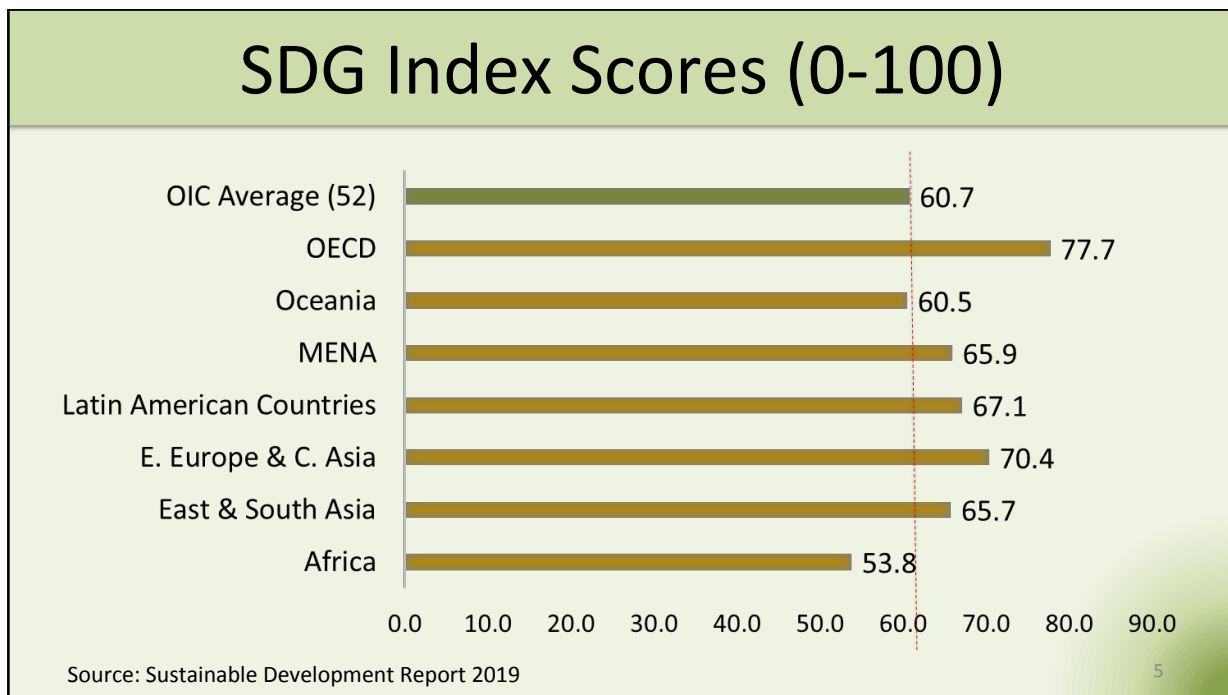
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## SDGs & Infrastructure

- SDGs: Ambitious Vision for Transformation
- Pillars of SDGs: Economic, social and environmental sustainability
- Achieving **SDGs** linked to infrastructure
  - Overall infrastructure: SDG 9
  - Economic infrastructure: SDG 6, SDG 7 & SDG 11
  - Social infrastructure: SDG 3, SDG 4



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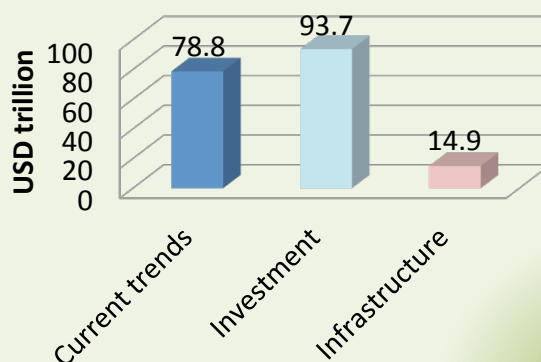
## SDGs & Infrastructure: Funding Needs & Gaps

UNCTAD—achieving SDGs would require

- US\$ 5-7 trillion annual investment
- Developing countries investment gap—US\$ 2.5 trillion/per year



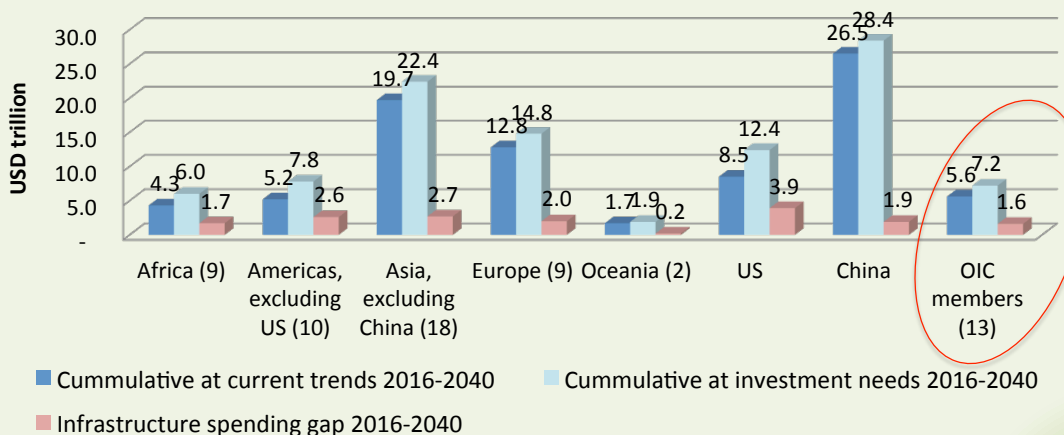
Global Cumulative Infrastructure Spending and Investment Needs 2016-2040



Source: GIH and Oxford Economics (2018)

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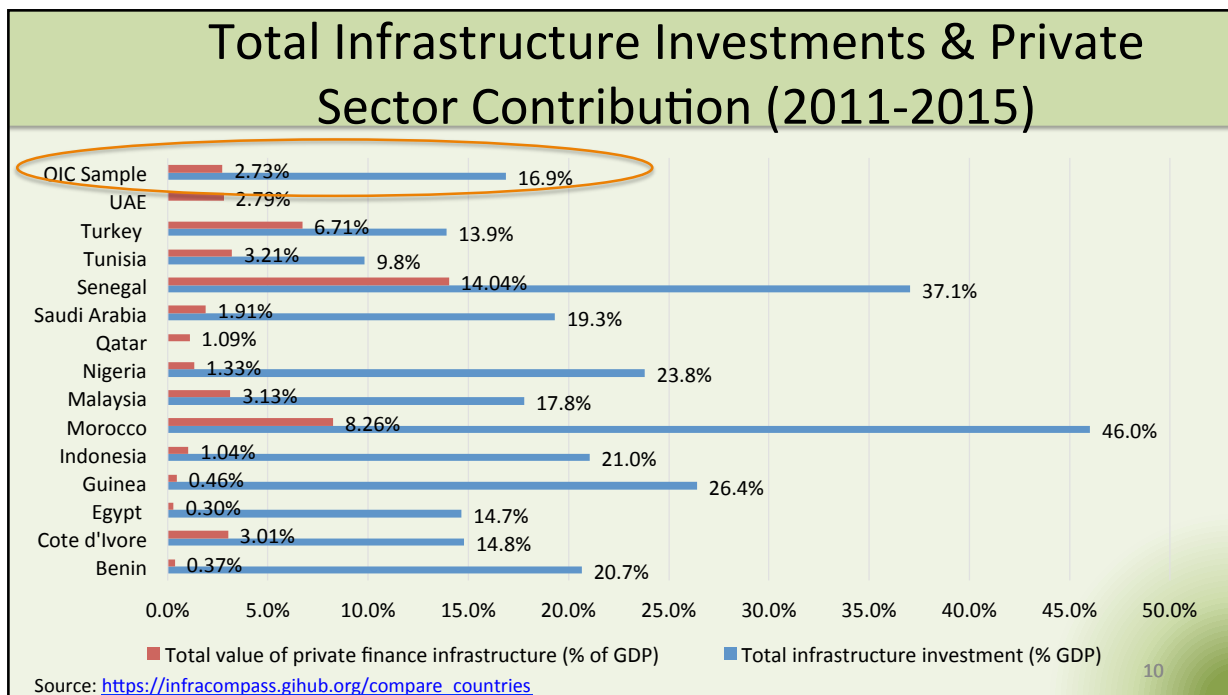
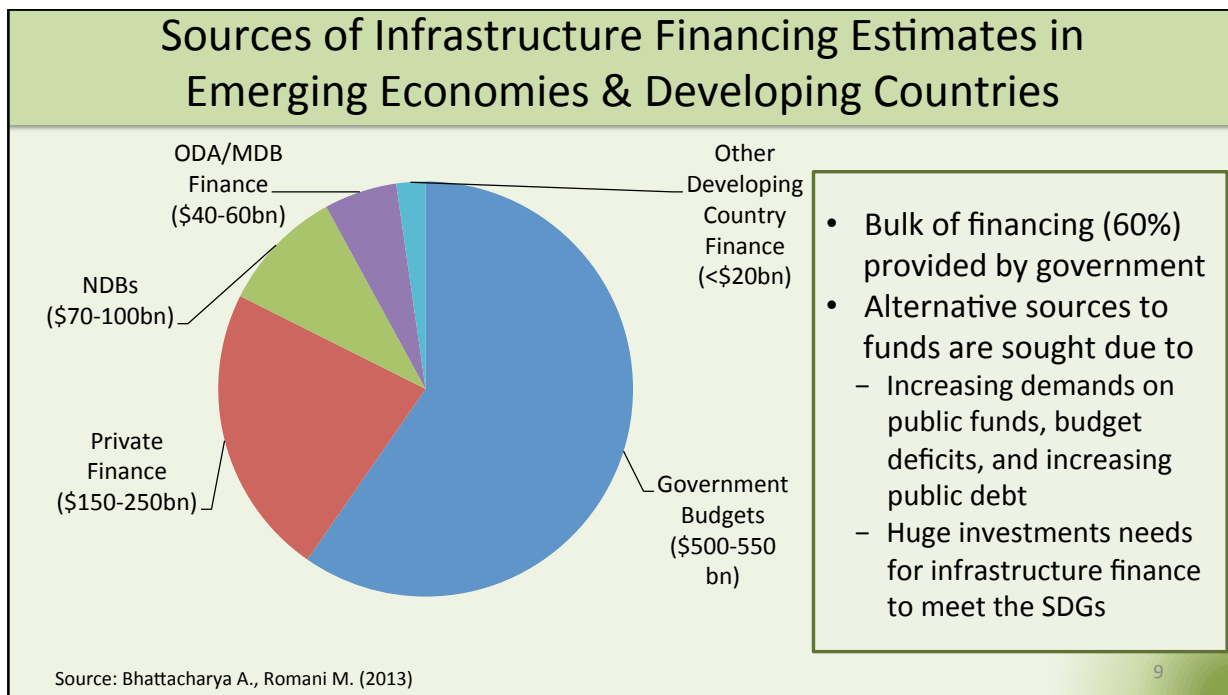
## Cumulative Regional Infrastructure Spending Requirements 2016-2040



**Total Investment Needs per OIC MC per year USD 22.1 billion**  
**Investment Gap per OIC MC per year USD 4.9 billion**

Source: GIH and Oxford Economics (2018)

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## Investment Horizon & Risk Appetite of Different Financial Institutions

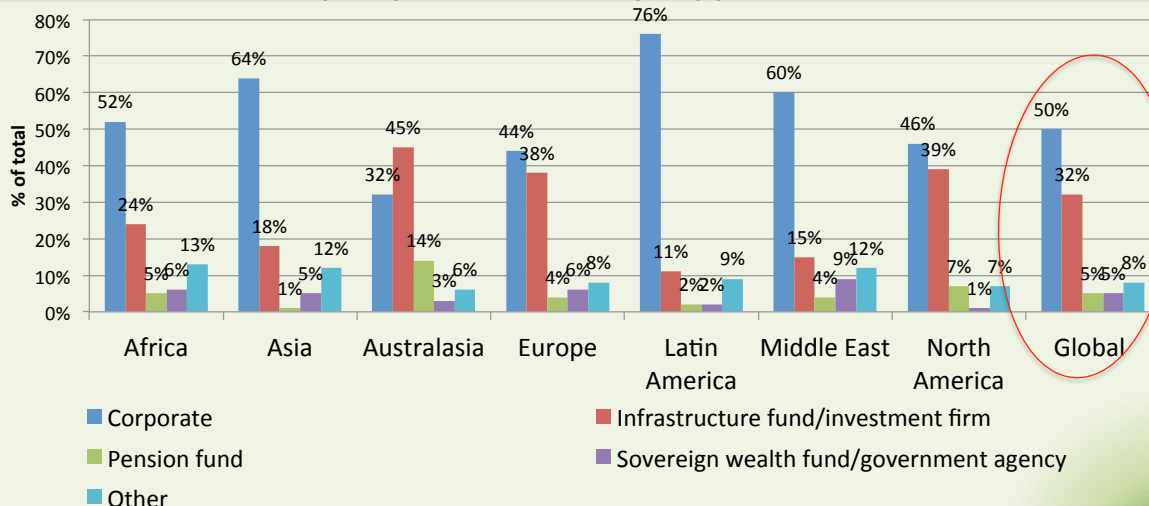
| Institution                        | Investment Horizon   | Risk Appetite             |
|------------------------------------|----------------------|---------------------------|
| Commercial Banks                   | Short term           | Low to medium             |
| Nonlife insurance                  | Short term           | Medium                    |
| Investment Company                 | Short to medium term | Depends on funds mandates |
| Life insurance and private pension | Long term            | Medium                    |
| Public pension                     | Long term            | Medium                    |
| Sovereign wealth funds             | Long term            | Medium to high            |
| Endowments and foundations         | Long term            | High                      |

**Nonbank financial institutions are more suitable for investments in Infrastructure financing**

Source: ADB (2018), African Economic Outlook 2018, African Development Bank, p. 109.

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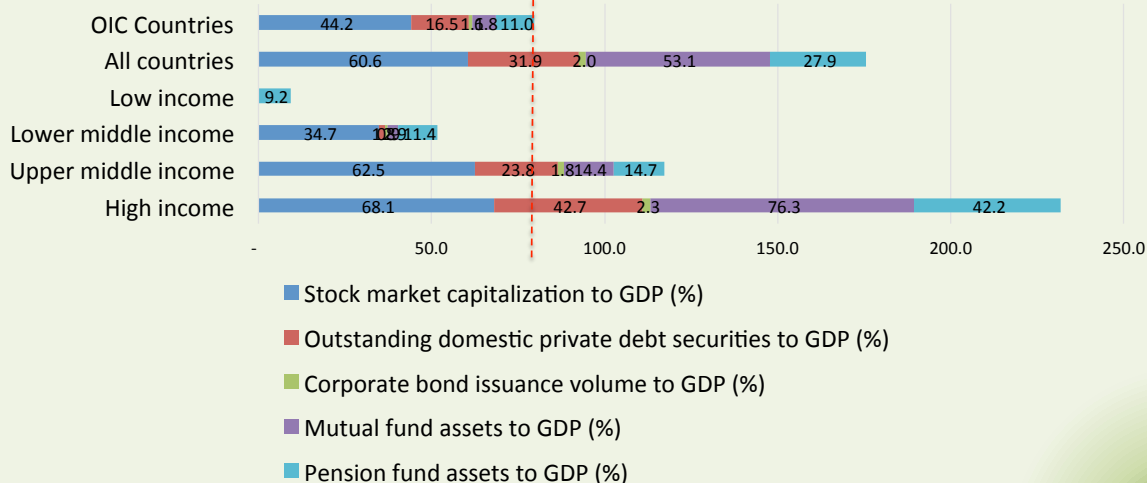
## Global Infrastructure Investment Equity and PPP by Type of Owner



Source: PWC & GIA (2017)

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## Size of Capital Market Related Sectors



Source: World Bank Financial Development Database 2018

## Total Islamic Finance Investments in Infrastructure Sector (2017-2018)

| Sectors (2017-2018)   | Total assets (USD billions) | Percentage going to Infrastructure | Infrastructure Investments by Islamic Finance (USD Billion) |
|-----------------------|-----------------------------|------------------------------------|---|
| Islamic Banking       | 1,598.9                     | <b>4.74%</b>                       | 75.8  |
| Takaful               | 42.5                        | <b>2.0%</b>                        | 0.9   |
| Sukuk                 | 344.8                       | <b>11.57%</b>                      | 39.9  |
| IDB Project Financing |                             |                                    | 3.12  |
| <b>Total</b>          |                             |                                    | <b>119.7</b>  |
|                       | Average per member country  |                                    | 2.1   |

Source: COMCEC (2019)

## Infrastructure & COVID-19

- COVID-19 highlighted the weaknesses and importance of infrastructure in economies
- Countries with weak social infrastructure finding difficult to cope with the pandemic
- Highlights the need to invest in specific infrastructures
  - Health
  - Education
  - Telecom and ICT (digital infrastructure)
- This is challenging for developing countries given the funding gaps and needs to divert funds to deal with pandemic

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## Infrastructure in the COVID-19 Era

- Need to explore new avenues of funding infrastructure beyond government
  - Islamic finance
  - Islamic social finance
- Need to explore innovative solutions
  - Move towards smart infrastructure (combines physical and digital infrastructure)
  - Change focus from traditional large-scale projects to smaller and flexible solutions
  - New infrastructure projects have to integrate sustainability and low-carbon solutions

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Questions??