New report: 4.5% of GDP the price tag for sustainable infrastructure in developing countries

According to a new World Bank report, investments of 4.5% of GDP will allow developing countries to achieve their infrastructure-related Sustainable Development Goals and stay on track to limit climate change to up to 2°C. Beyond the Gap also finds infrastructure investment compatible with full decarbonisation need not cost more than more polluting alternatives.

Today the infrastructure gap is huge: 940 million people live without electricity, 663 million lack improved sources of drinking water, 2.4 billion lack improved sanitation facilities, one billion live more than 2km from an all-season road, and four billion people lack internet access. Uncounted numbers are unable to access work and educational opportunities due to the absence or high cost of transport services.

Scenario-based approach

Until now, realistic estimates of infrastructure spending needs have been elusive and incomplete. *Beyond the Gap* shifts the focus from spending more on infrastructure toward spending better using specific objectives and relevant metrics. Its scenario-based approach demonstrates that how much countries need to spend depends on their ambition and efficiency.

“Our analysis clearly shows that developing countries can build the climate-smart infrastructure they need by spending around 4.5% of GDP. The good news is this is close to what many countries already spend,” said Kristalina Georgieva, interim president of the World Bank Group. She continued, “With the right choices, infrastructure can be built that helps achieve globally agreed emissions targets. The focus must be on smarter and more resilient investments, not necessarily more money.”

Additional new research released recently by the World Bank provides the first consistently estimated data set on current infrastructure investments in developing countries. It finds that these countries spend between 3.4% of GDP and nearly 5%, with a central estimate of around 4%.

Preferred scenario

The spending goal of 4.5% of GDP represents a preferred scenario whereby countries adopt policies that account for long-term climate goals to avoid expensive stranded assets later, invest in renewable energy, combine transport planning with land-use planning, develop railway systems attractive to freight, and deploy decentralised technologies in rural areas — such as mini-grids for electricity. But in other scenarios, with similar ambitions but without supportive policies, the price tag doubles.

The report's approach presents infrastructure spending estimates in an “if-then” framework (if the country wants this, and these are the assumptions made, then this is how much it would cost). The report and associated interactive website also go into more regional and sectoral detail.

The report also emphasises that improving services requires more than capital expenditure: ensuring a steady flow of resources for operations and maintenance (O&M) is a necessary condition for success. The World Bank report estimates that this ongoing O&M would cost an additional 2.7% of GDP per year.