Infrastructure Investment Divergence in a High Rate Post COVID Environment

Allocator view on control points, jurisdictional catalysts, and structures that turn market scarcity into repeatable capital flows

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MARKET OVERVIEW

Global private infrastructure spending in primary markets increased by roughly ten percent in nominal terms in 2023, driven almost entirely by developed economies. In high income countries, investment dipped during COVID but rebounded strongly, returning to and often exceeding pre pandemic levels. In low and middle income countries, the trajectory has been different. Allocations were slipping before COVID, fell further during the pandemic, and have yet to recover. Their share of global volumes now stands below one fifth compared to roughly one third a decade ago.

This divergence reflects two distinct investment environments. Developed markets have shown a cyclical profile with downturns followed by recovery. That pattern is supported by stable policy frameworks, regulated assets, and targeted incentives in sectors such as renewables, hydrogen, and digital infrastructure. LMICs have experienced a more structural decline concentrated in a handful of large markets. Many smaller economies continue to see persistent weakness in both primary and secondary market activity. The question for allocators is when this trajectory might turn and what conditions would drive renewed growth.

Jurisdictional constraints remain central to the challenge. In many LMICs, fiscal pressures limit governments' capacity to co finance projects or underwrite risk. This suppresses large scale private participation. Policy reforms, regulatory adjustments, and credible project pipelines can change this dynamic, but such shifts are uneven and often slow. Meanwhile, industries and corporates already operating in these markets frequently focus on exports without contributing to local infrastructure development. This leaves an unfilled space where external capital, structured with the right governance and incentive alignment, can unlock projects that meet both government priorities and investor return requirements. Global infrastructure data and recent development finance research confirm that most private flows into LMICs remain concentrated in operational export linked assets rather than enabling infrastructure. This has left a backlog of high impact, under financed projects.

The opportunity for allocators lies in securing influence at the points where infrastructure flows are governed. In developed markets this can mean ownership or long term rights in regulated utilities, energy transmission, or digital infrastructure. These are assets with contractual cash flows and low historical default rates. In LMICs it can mean designing blended finance or guarantee backed platforms that reduce risk, attract co investment, and position the allocator as a trusted partner in projects governments want to see built. Local currency financing platforms, still rare outside top tier LMICs, can further mitigate exchange rate exposure and bring in domestic institutional capital.

Targeting these control points in markets unlikely to recover on their own offers the potential for superior risk adjusted returns. Aligning with government growth objectives and creating structures that enable broader capital participation allows the allocator to influence both the investment environment and the resulting cash flows. This is not about waiting for the tide to turn. It is about standing where the turn creates opportunity because you are there.

SKGP Strategic Partners track these divergences to design frameworks that convert structural scarcity into aligned and repeatable capital flows. We anchor in jurisdictions and sectors where capital influence can catalyze long term infrastructure growth.

References

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