

Conversation between Elie Hassenfeld (GiveWell) and Michael Klein, former Vice President for Financial and Private Sector Development for the World Bank Group on May 9, 2013

Note: These notes, created by GiveWell, provide a summary of the major points made by Michael Klein in this conversation.

At a high level, there is no argument that there should be more and better infrastructure.

There are three main areas a philanthropist could address:

1. Donors could provide subsidies to address affordability concerns
2. Donors could fill a gap between government and the private sector to help design, implement and manage projects.
3. Donors could support public benchmarks such as the Doing Business rankings to incentivize improved regulations in countries.

Providing subsidies to address affordability concerns

Subsidies can be structured in various ways: is the subsidy provided upfront before the contractor starts to build, or is it paid once the project is complete? Currently, most subsidies are paid pre-construction due to investor incentives to obtain subsidies upfront and donor incentives to get money out the door. Philanthropists who instead focused on post-construction subsidies could fill a gap. The Global Program for Output Based Aid does this: <http://www.gpoba.org/about>. Most donors still prefer paying subsidies upfront, so the GPOBA is the exception rather than the norm. This program is similar to the Center for Global Development's Cash on Delivery initiative.

An example of a GPOBA project: In a project in Cambodia, the GPOBA did research to determine what users would ultimately pay for water services and what additional subsidy would be needed to incentivize the private contractor. GPOBA provided the subsidy.

Improving the contracting process

Getting all the details of contracts right is difficult, so the cost of doing business is high. Doing something in the area of "capacity building" is an opportunity, but it's hard to figure out how to do this well. The World Bank's International Finance Corporation has transaction advisory services that deal with Public/Private Partnership programs. They have a good appreciation of the problems and issues in this area.

Improving the regulating processes

The Doing Business rankings (<http://www.doingbusiness.org>) provide rankings for countries on item like, "What does it take to register a small business?" It has elicited more response/effort from governments than any other type of activity I've seen. Creating benchmarking schemes for infrastructure is an opportunity.

Trade-offs between different types of infrastructure (e.g., water vs. power vs. roads vs. telecommunications)

Getting projects done is hardest in water and easiest in telecom. The average water prices in the world are ~30% of cost-covering levels, so many projects don't happen. Electric is more like 70-80% of total cost, so it only requires more limited reform including possibly some subsidization.