

# National Infrastructure Financing Institutions: Institutional Architecture for Scalable Delivery



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# 1. Why National Infrastructure Financing Institutions Matter

More than a decade after the adoption of the Sustainable Development Goals, infrastructure investment continues to fall short of what is required—despite expanded use of Public-Private Partnerships (PPPs), growing engagement by multilateral development banks, and increasing sophistication of financing instruments. While these tools remain essential, they have not, on their own, delivered infrastructure investment at the scale, continuity, or speed required.

Experience across regions suggests that this gap is not primarily a failure of project finance techniques, but a failure of institutional architecture. Infrastructure systems remain constrained by short-term budgeting cycles, fragmented project development, weak project preparation capacity, and over-reliance on sovereign balance sheets and multilateral finance. These constraints are poorly aligned with the long-term, programmatic nature of infrastructure investment.

National Infrastructure Financing Institutions (NIFIs)—including national infrastructure banks, infrastructure funds, and hybrid financing vehicles—are permanent institutional mechanisms that can help mobilize long-term capital, anchor infrastructure pipelines, and bridge the gap between policy ambition and investable delivery.

This policy brief draws directly on WAPPP’s 2026 Launch Webinar, which established the strategic rationale for NIFIs and positioned them as the institutional foundation needed to translate the lessons of Small-Scale PPPs (2024) and Blended Finance (2025) into sustained delivery.

## 2. The Structural Problem: Why Traditional Approaches Fall Short

Across both advanced and emerging economies, several structural challenges consistently constrain infrastructure investment:

### Short-term budgeting versus long-term commitments

Infrastructure assets and PPP contracts typically span decades, yet public financing decisions are dominated by annual or short-term budget cycles. This mismatch undermines pipeline continuity, weakens investor confidence, and creates stop-start project development.

### Fragmented, project-by-project delivery

Projects are frequently selected and financed in isolation—often driven by budget availability or political timing rather than strategic need. Fragmentation increases transaction costs, limits replication, and prevents portfolio-based risk management.

### Weak project preparation capacity

Repeated experience shows that project quality, not capital availability, is the binding constraint. Poorly prepared projects encounter difficulties during procurement or financing, sometimes years after award.

### Over-reliance on sovereign balance sheets and MDB finance

Sovereign borrowing and multilateral finance remain essential, but on their own cannot close infrastructure gaps at scale. Over-reliance on these sources can constrain fiscal space and crowd out domestic capital markets.

### Limited public co-investment and weak commitment signalling

In many jurisdictions, governments lack structured mechanisms to participate financially alongside private investors—whether through equity, guarantees, or risk-sharing instruments. The absence of visible public “skin in the game” can weaken investor confidence and reduce the ability to crowd in long-term capital.

### Absence of structured viability support mechanisms

Many infrastructure projects generate strong economic and social returns but insufficient standalone financial returns. Without structured viability gap funding, credit enhancement, or risk mitigation mechanisms, such projects struggle to reach bankability or to mitigate default risk.

### Underutilized domestic capital and limited local participation

Large pools of domestic savings—particularly pension and insurance assets—remain largely untapped for infrastructure investment. At the same time, local contractors and SMEs struggle to participate meaningfully due to financing and institutional barriers. Taken together, these challenges point to a systemic failure: infrastructure financing systems lack institutions capable of operating beyond projects, beyond budgets, and beyond ad hoc interventions.



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### 3. What Are National Infrastructure Financing Institutions?

National Infrastructure Financing Institutions are policy instruments established to address specific market and institutional failures in long-term infrastructure finance. They are not general-purpose development banks, nor are they limited to PPPs. Their mandates, instruments, and governance arrangements vary widely across countries.

What distinguishes NIFIs is their institutional function: they operate as permanent financing platforms designed to mobilize and structure long-term capital for infrastructure beyond annual budget cycles and ad hoc interventions

Rather than substituting for private capital or multilateral finance, NIFIs are typically designed to complement and catalyze these sources — deploying debt, guarantees, credit enhancement, equity participation, and structured risk-sharing to crowd in investment and improve project bankability.

Taken together, NIFIs represent an institutional response to systemic constraints, positioned at the intersection of public policy objectives, domestic capital markets, and investable infrastructure pipelines.

#### NIFI Instruments

- Debt financing
- Guarantees
- Credit enhancement
- Equity participation
- Structured risk-sharing
- Infrastructure bonds
- Blended finance tool

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## 4. Lessons from International Experience

National Infrastructure Financing Institutions have taken diverse forms, reflecting national context rather than a single institutional template. Across jurisdictions, they have emerged in response to structural financing constraints, fragmented project development, and the need to mobilize capital at scale.

### Comparative experience nevertheless reveals recurring design principles:

- ✔ Mandates aligned with national infrastructure priorities rather than individual projects;
- ✔ Capitalization models ranging from direct budget support to market-based funding;
- ✔ Instruments tailored to local capital market conditions; and
- ✔ Governance frameworks that protect commercial decision-making while ensuring public accountability.

A central lesson from global experience is that institutional design and governance—not capital volume—determine effectiveness.

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Beyond shared principles, international experience also reveals several institutional archetypes, each offering design lessons rather than models for replication.

### ■ **Post-war reconstruction and development finance**

Institutions such as Germany's KfW (1948) and the Development Bank of Japan (1951) illustrate how long-term public finance entities can evolve alongside domestic capital markets. Established initially for reconstruction and industrial development, these institutions built credibility through clear mandates, governance autonomy, and market-based funding models, including bond issuance. The central lesson is that institutional durability depends on governance discipline, mandate consistency, and integration with domestic financial systems.

### ■ **Domestic capital mobilization**

Brazil's BNDES (1952) and Mexico's BANOBRAS (1933), including its infrastructure fund FONADIN, demonstrate how national institutions can intermediate between public policy objectives and domestic savings pools. Through on-lending, guarantees, and market-facing instruments, these institutions expanded infrastructure financing beyond annual budget allocations. These models underscore the importance of mobilizing domestic institutional capital — including pension and insurance assets — as a complement to sovereign borrowing and multilateral finance.

### ■ **Strategic national policy instruments**

The China Development Bank illustrates how national financing institutions can be deployed to support evolving strategic priorities over time. Such model highlights both the scale such institutions can achieve and the importance of maintaining operational independence and risk discipline to preserve credibility.

### ■ **Catalytic and blended finance models**

More recent institutions, including Indonesia's PT SMI, India's NIIF, and the Canada Infrastructure Bank, emphasize catalytic investment and structured risk-sharing. Through equity participation, subordinated capital, and credit enhancement, these institutions aim to crowd in private and institutional investors while preserving commercial orientation. These experiences demonstrate that while institutional forms vary, effectiveness depends not only on structure or capitalization, but on mandate clarity, governance safeguards, preparation capacity, and the ability to mobilize capital at scale — principles that shape how NIFIs operate in practice.

## 5. What NIFs Do Differently

When designed and governed in line with these principles, NIFs address structural gaps by:

- Enabling multi-year, programmatic infrastructure planning beyond annual budget cycles;
- Strengthening project preparation and pipeline development as core institutional functions;
- Acting as catalytic financiers, deploying guarantees, credit enhancement, equity, and blended finance tools to crowd in private capital;
- Supporting domestic capital market development through infrastructure bonds and institutional investor engagement; and
- Reducing barriers for local firms and SMEs by improving access to finance and creating repeatable deal flow.

**Rather than replacing sovereign or multilateral finance, NIFs function as multipliers, complementing existing sources and improving risk allocation across the system.**

## 6. Expert Insights

Panellists underscored the need to move from fragmented financing approaches toward durable institutional platforms capable of delivering infrastructure at scale.

**Ziad-Alexandre Hayek (WAPPP President)**

emphasized that PPP and blended finance alone have not achieved infrastructure investment at scale, and that National Infrastructure Financing Institutions (be they specialized in PPPs or not) can mobilize domestic capital while strengthening national infrastructure ecosystems.

**Mark Moseley (Principal at Moseley Infrastructure Advisory Services)**

noted that such institutions are policy tools designed to address market failures, with success dependent on strong governance, risk management, and project preparation capacity.

**Jyoti Bisbey (WAPPP Executive Committee Member)**

highlighted the structural disconnect between long-term infrastructure commitments and short-term budgeting cycles, underscoring the need for multi-year, programmatic financing platforms.

**Peter Kabuki (Session Moderator and WAPPP NIFI Program Director)**

framed the discussion around the systemic constraints limiting infrastructure scale, emphasizing the need to connect institutional design to long-term pipeline stability and financing continuity.

**Sergei Samolis (CEO at PPP Expertise Eurasia)**

stressed that investor confidence relies on visible pipelines, institutional stability, and financing structures that enable replication and local market participation.

**Collectively, these perspectives reinforce the case for National Infrastructure Financing Institutions as system-level enablers of scalable infrastructure delivery.**

## 7. Policy Directions for Governments

Drawing on international experience and practitioner insight, six policy directions emerge:

- Align mandates with national infrastructure priorities, not immediate project pipelines.
- Treat project preparation and pipeline development as core institutional functions.
- Move beyond project-by-project financing toward programmatic delivery.
- Design governance frameworks that balance independence and accountability.
- Mobilize domestic institutional capital through appropriate instruments and regulation.
- Forge working relationships with MDBs and other IFIs.
- Leverage and reform existing institutions where possible before creating new ones.

National Infrastructure Financing Institutions represent the institutional architecture required to move from policy ambition to sustained, scalable infrastructure delivery.



### Key References

- Global Infrastructure Hub (2019): National Infrastructure Banks and Similar Financing Facilities: Guidance Note.
- World Bank Group & PPIAF (2019): Public Infrastructure Funds: Global Review and Lessons Learned (Vols. 1-2).