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INFRASTRUCTURE | LATIN AMERICA

Infrastructure in Latin America

A private debt opportunity institutional capital can no longer ignore.

The infrastructure gap is not only a development deficit. It is a potential opportunity for origination, structuring, and risk-adjusted returns.

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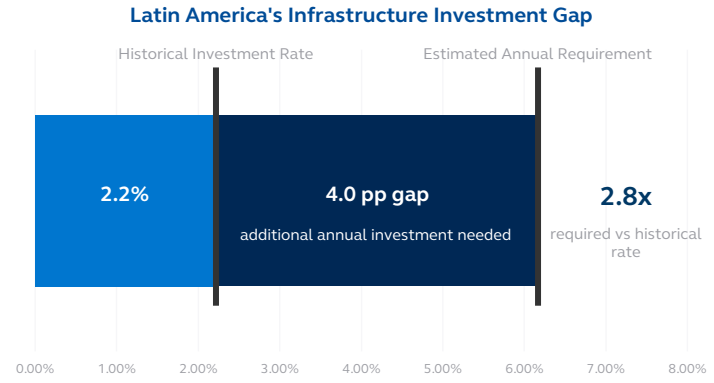
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This article marks the beginning of a series exploring the evolving infrastructure investment opportunity across Latin America. This first installment provides a regional perspective on the structural forces driving capital demand, the financing gap, and the growing role of institutional private capital. Future articles will examine the region's principal infrastructure asset classes in greater depth, including power and energy, transportation and logistics, digital infrastructure, and social infrastructure. Each will consider the market dynamics, investment drivers, financing requirements, and key risks shaping the opportunity within that sector.

Latin America is at an inflection point. For decades, infrastructure investment remained far below what the region required. Today, nearshoring, the energy transition, digitalization, and urbanization are accelerating capital demand just as governments face fiscal constraints and banks reduce their capacity to finance long-dated assets.

Closing the gap would require annual investment of approximately 6.2% of regional GDP, or about USD 320 billion, compared with a historical investment rate of roughly 2.2%. Yet private capital dedicated to the region remains marginal: in 2025, Latin America-focused private debt funds raised approximately USD 800 million, versus USD 356 billion globally.

The disconnect is clear. A region that accounts for roughly 7% of global GDP attracts only around 1% of global private debt capital. For institutional investors, this scarcity is not merely a constraint. It is a potential source of an origination and liquidity premium that is difficult to replicate in deeper markets.

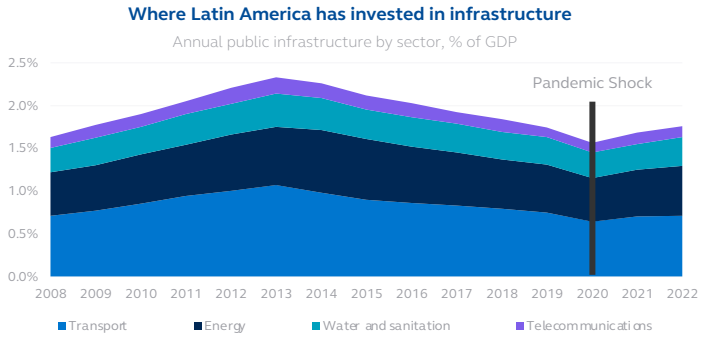


Source: ECLAC (Economic Commission for Latin America and the Caribbean)

The thesis is simple: financing needs materially exceed the supply of specialized capital.

1. What infrastructure means in Latin America

The assets are familiar to any global investor. What changes is the context: bottlenecks, regulatory frameworks, financial-market depth, and currency exposure. The opportunity is concentrated in five areas:



Source: Infralatam (IDB, CAF and ECLAC), 2008–2022

Power

The primary constraint is no longer generation alone. Transmission, interconnection, and grid capacity are increasingly critical.

Energy

The transition is supported by renewables, storage, and natural gas transportation. In Mexico, natural gas remains essential to energy security and competitiveness.

Transportation and logistics

Roads, ports, railways, and logistics platforms must adapt to shorter and more resilient regional supply chains.

Digital infrastructure

Data centers, terrestrial and subsea fiber, and last-mile connectivity constitute the fastest-growing segment.

Social infrastructure

Hospitals, schools, and water treatment facilities increasingly depend on Public-Private Partnerships and concessions to convert public priorities into financeable projects.

2. Macroeconomics matters, but it does not define the opportunity

Regional growth is moderate and highly uneven. Aggregate figures conceal material differences in activity, inflation, interest rates, fiscal frameworks, and institutional capacity. Infrastructure credit must therefore be assessed country by country and project by project.

Market / region	Approx. 2026 growth	Primary driver or constraint
Argentina	~3.5%	Post-stabilization rebound and reforms
Paraguay	3.7%–4.2%	Construction, agribusiness, and macro stability
Central America / Caribbean	3.0%–8.2%	Nearshoring, remittances, and oil in Guyana
South America, excl. Argentina	~2.4%	Average obscures significant dispersion
Mexico	1.3%–1.6%	Nearshoring offset by trade uncertainty

High local interest rates have a dual effect: **they improve potential debt returns,** but increase the cost of equity and **reduce projects' margin for error.** The result is a greater need for structuring discipline.

3. Politics: less focus on election noise, more on contractual continuity

Electoral cycles create volatility, but rarely align with the economic life of an infrastructure asset. For a long-term lender, sovereign credit quality, regulatory stability, and contract enforceability matter more than the outcome of any single election.

Country	S&P	Fitch	Moody´s
Chile	A / Stable	A- / Stable	A2 / Stable
Uruguay	BBB+ / Stable	BBB / Stable	Baa1 / Stable
Mexico	BBB / Stable	BBB- / Stable	Baa2 / Negative
Peru	BBB- / Stable	BBB / Stable	Baa1 / Stable
Paraguay	BBB- / Stable	BB+ / Positive	Baa3 / Stable
Brazil	BB / Stable	BB / Stable	Ba1 / Stable
Colombia	BB- / Stable	BB / Stable	Baa3 / Stable

long-term foreign-currency sovereign ratings. As of August 2026.

Around an election, three variables warrant direct attention:

Continuity of infrastructure programs, concessions, and procurement calendars

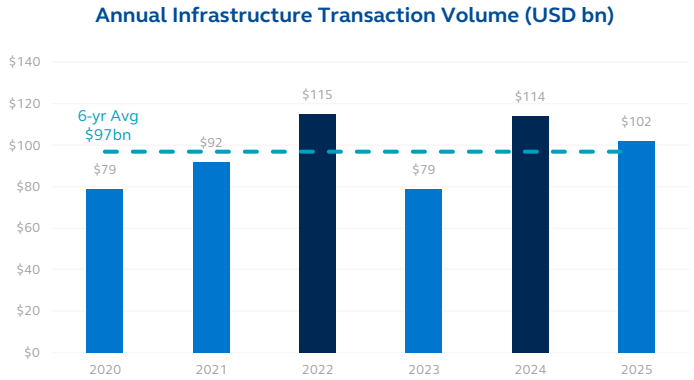
Stability of tariff frameworks and indexation mechanisms

Fiscal credibility and the government's capacity to honor contractual obligations

4. Sizing the opportunity

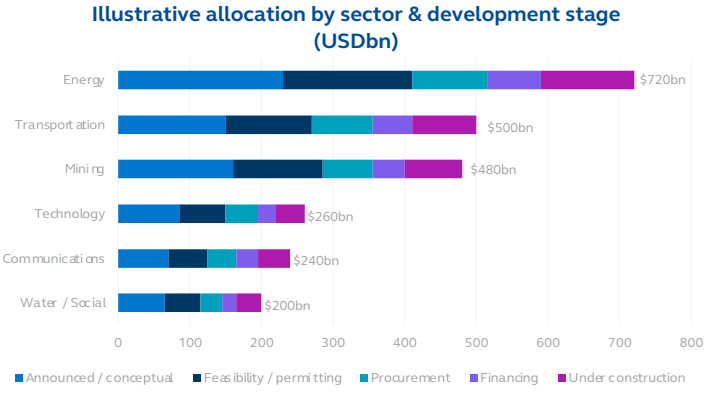
A meaningful transaction market

Annual infrastructure transaction volume in Latin America has ranged from USD 79 billion to USD 115 billion over the past six years. This is not an emerging market in terms of activity. It is a functioning market with insufficient institutional capital.



A pipeline far larger than available capital

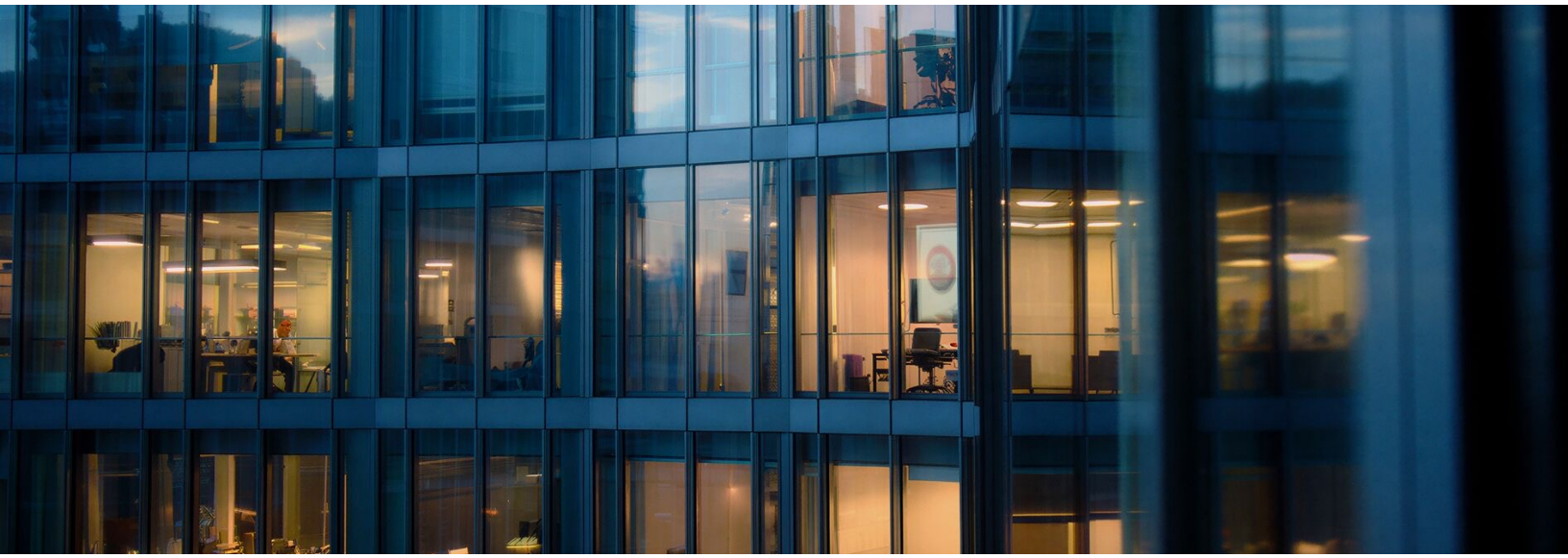
The region has approximately 8000 active projects across energy, mining, transportation, communications, and technology, with an estimated value of USD 2.4 trillion. Roughly USD 538 billion could enter construction during 2026 and 2027. Against this pipeline, private debt accounts for less than 1% of asset-class financing.



Source: BNamericas

Banks are creating room for alternative lenders

Balance-sheet and capital constraints are reducing banks' ability to provide long-term financing. In developed markets, institutional investors filled that gap. In Latin America, the transition is only beginning. The opportunity lies in financing essential assets through negotiated structures, contractual protections, and an illiquidity premium.



5. How the debt is structured

The discipline applied to due diligence and underwriting is comparable with developed markets. The differences arise in three critical dimensions:

Illiquidity premium

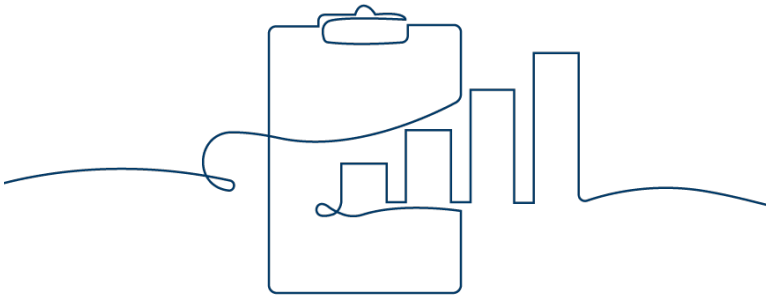
Latin American transactions typically offer 100 to 150 basis points over comparable U.S. credits. This premium reflects lower market depth and liquidity, not necessarily weaker structural quality.

Currency

A potential mismatch among revenues, costs, and debt can fundamentally alter the risk profile. Some assets can only be financed in local currency; others generate dollar-linked revenue but retain local-currency costs and taxes. Hedging must be designed for the economic life of the project, not merely for financial close.

Multilateral credit enhancement

Partial guarantees, subordinated tranches, and other mechanisms provided by multilateral institutions can reduce risk, broaden the investor base, and improve the cost of capital.



6. Separate risks that can be structured from risks that must be priced

The objective is not to eliminate every risk. It is to determine which risks can be allocated, hedged, or contractually limited, and which must be accepted and adequately compensated.

More manageable through structure	Less manageable
Offtaker risk: covenants, reserves, and step-in rights.	Currency convertibility and transfer risk
Construction: completion guarantees, contingencies, and staged drawdowns	Judicial unpredictability or weak contract enforcement
Volume or market risk: set debt levels to handle worse-than-expected results	Abrupt changes in regulation or tariffs
Inflation and currency: indexation, reserves, and derivatives	Permitting and interconnection for greenfield projects
Liquidity: amortization, cash sweeps, and debt-service reserves	Politically driven delays to concessions and auctions

Conclusion

Latin American infrastructure is no longer only a story of underinvestment. It is a story of structural demand: supply chains are becoming more regional, energy systems must transform, and digital economies require physical capacity.

Public capital is insufficient. Banks cannot provide the full tenor or volume required. Institutional private debt remains materially underrepresented.

> For investors that can originate locally, structure with discipline, and distinguish sovereign risk from project risk, ***the opportunity is clear:*** greater access, stronger protections, and potential for attractive risk-adjusted premiums.



Notes and sources

1. ECLAC: estimated annual investment required to close the regional infrastructure gap. | 2. BNamericas: estimated universe and value of the regional project pipeline. | 3. World Bank and IMF: growth estimates used as indicative references. | 4. S&P Global Ratings, Fitch Ratings, and Moody's Ratings: sovereign ratings outstanding as of the stated date. | 5. Fundraising and transaction-volume figures should be validated against the underlying database before external publication.

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