

Long-Term Financing of Infrastructure

Co-Chairman Roger Fiszelson



Confederation Of International Contractors' Associations
CICA Board Meeting, Zoom, August 2020



Presentation of the initial version of a global project evaluation method (GLOPRAM) extending and improving cost / benefit studies, applicable in particular to Green projects, making it possible to demonstrate:

- The utility of the infrastructure;
- The existence of a medium to long-term tax return balancing, or not, the debt incurred by the public body for its realization;
- The impact of the contractual mode on the overall economy of the project.





This model takes into account the non-market impacts (welfare) within an environmental block complementing the associated socio-economic block (cost benefits):

- I) climate change;
- II) pollution;
- III) variation in ecosystem services.

This additional information improves the budget block information. This innovative method is the result of a collaboration, led by Vincent Piron, between the FNTF and CICA on the one hand and a Lecturer/Maitresse de Conférence (Jeanne Amar) attached to GREDEG laboratory of the French National Center for Scientific Research (CNRS) within the University of Nice, on the other hand.





Based on studies by the Directorate General of the Treasury (DGT) of the French Ministry of Finance of the Mc Kinsey Global Institute (McKGI) and on strengthening the internal resources of States:

- Contribute to the work of international financial organizations and institutions (OECD, UNO, MDBs, DFIs, etc.) on increasing infrastructure funding from the own budgetary resources of Emerging Market and Developing Economies (EMDEs);
- Ensure the security and fiscal, customs and financial stability of direct investments and infrastructures and works carried out in EMDEs by our contractors ;
- Contribute to the development of the formal sector of EMDEs, source of increased tax revenue, during the execution of projects entrusted to our contractors.





Low or negative interest rates could theoretically facilitate private financing of infrastructure.

Maintaining a high level of return on investment (IRR) expected by investors jeopardizes the full use of the opportunities offered by lower rates.

It would be useful to ask contractors about their perception of the state of the market and to obtain information to know:

- the level of IRR, satisfying investors' yield research;
- the spread requested by banks by geographical area, the nature of the borrower and projects and the duration of the loan;
- changes in the debt-to-equity ratio demanded by commercial and investment banks.

