CICA Long-Term Finance of Infrastructure Working Group Position Paper

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The **Long-Term Finance of Infrastructure Working Group** (LTFI) of CICA aims to promote sustainable models for financing infrastructure and fostering collaboration between public and private stakeholders to close the global infrastructure gap[1]. The Group advocates for the mobilization of long-term financing and the use of efficient delivery mechanisms such as Public–Private Partnerships (PPPs), ensuring that infrastructure investment supports inclusive, resilient, and sustainable development.

Key Positions

Infrastructure is a fundamental prerequisite for both the quality of life and the productivity of a nation. It is one of the most effective tools in the fight against poverty and in promoting compliance with the UN Sustainable Development Goals (SDGs).

Although infrastructure requires substantial investment, it has a long useful life. Therefore, financing it over time is reasonable and helps avoid unfair intergenerational burdens.

Developing long-term financing schemes is essential for delivering sustainable infrastructure assets. Public–Private Partnerships (PPPs) are one of the key delivery instruments to achieve this, combining diverse financial sources. Important sources of long-term financing include institutional investors, sovereign wealth funds, philanthropic trusts, Multilateral Development Banks (MDBs), infrastructure investment funds and public budgets.

First, it is needed to clearly distinguish funding from financing, as these two concepts are too often misunderstood.

Funding refers to the source of funds used for traditional procurement and, in the case of PPPs, for loan repayment, as well as private equity return and remuneration. The source of funds can be taxes (taxpayer payments enforced by a public authority), royalties paid to the government, final users (if the service is a commercial one), or external grants from donors, or a combination of these options. Funding also explains how (by whom) loans and their interest will be repaid, as well as how (by whom) the private partner will recover their equity and related remuneration.

Financing refers to the origin of budgetary funds provided by the Public Authority in traditional procurement during the construction and operation phases. For PPPs, "financing" describes the grant (if any) provided by the Public Authority, the loans raised, and the equity provided to the Special Purpose Vehicle (SPV) established by the private partner to finance the project during construction. Loans and equity must be repaid with interest; they are a temporary (a few years) source of funding.

[1] *The infrastructure gap is estimated at $15 trillion in November 2025 (GIH Hub an initiative part of PPIAF of the World Bank).*

We can summarize by saying that financing is a medium-term instrument for implementing projects, and funding is a political decision about who shall bear the cost of the investment.

Once this difference is clearly established, PPPs are among the most effective mechanisms for mobilizing long-term financing when the asset benefits can be "monetized" by the Concessionaire.

It is well known that most transport projects with high socio-economic value do not generate sufficient revenue to cover their costs and that subsidies -or other public funds- should therefore be used as a key instrument. It is the same case for certain social services (sanitation, flood prevention et al) where the social benefit of the asset cannot be collected by a private investor. Collaborative "Cohesion" funds between regions and countries should be used, when available:

On the other hand, when private investment is feasible, PPP contractual schemes allow public authorities to complement limited public resources with private capital. This private financial participation eases pressure on public budgets, enabling governments to reallocate scarce resources toward essential social sectors such as health, education, and security. In addition, private participation contributes to better control and management of public debt, helping to prevent its excessive growth.

In PPPs, the recovery of private investment may occur—fully or partially—through user payments, which is generally fairer than financing projects exclusively through taxes. Even when payments are made by the public entity, it begins to benefit from the project's services at the same time that payments are due, aligning incentives for the private partner and ensuring value for money for the public partner since the Government pays for an available, operating and well-maintained infrastructure asset.

Private participation enhances efficiency in resource allocation, reduces total project costs over the life cycle, and accelerates delivery timelines. Moreover, the private sector brings know-how, expertise, creativity, and innovation.

Entrusting the private partner with the overall responsibilities of design, construction, financing, operation, and maintenance creates strong incentives for performance and efficiency. Regardless of the contractual form, the private partner operates under public supervision and accountability.

It is important to emphasize that PPPs are not equivalent to privatization.

Another key advantage of PPPs lies in their fiscal return to governments—through corporate income taxes, VAT, property taxes, and other levies. PPPs also help create and accelerate social and environmental benefits, contributing to sustainable development and resilience.

Of course, PPPs are not a universal solution. Globally, PPPs represent approximately 20% of total infrastructure investment in Latin America, around 10% in Europe, and a lower share in Africa[2]. Their potential impact is often higher in countries that are new to PPPs, as they may have a pipeline of suitable projects ready for implementation.[3]

The Working Group also emphasizes the need to address climate change—both mitigation and adaptation—through infrastructure investment. Climate finance is vital to help vulnerable communities adapt to climate impacts while supporting sustainable economic growth. Yet, the mobilization of international climate finance remains far below the required levels, particularly in emerging and developing economies (EMDEs).

Working Group Action Proposals

- Continue disseminating evidence on the relationship between infrastructure investment, economic growth, and climate resilience, including both new projects and the maintenance/renewal of existing assets through seminars, conferences and publications.
- Encourage private investment to help close the infrastructure gap through PPPs or similar long-term contractual models.
- Raise awareness among stakeholders about insufficient public funding, emphasizing the need to distinguish in the national accounts between operating expenditures and capital expenditures, that generate future fiscal and social returns. **Infrastructure maintenance should be treated as capital expenditure.**
- Promote adaptation of investments to the challenges of climate change and energy transition, fostering the development of resilient assets. Advocate over Governments and International Institutions to allocate budget funds to this problem.
- Improve macroeconomic models to better estimate the direct and indirect impacts of infrastructure investment on growth, tax revenues, and fiscal sustainability over the entire life cycle of assets (e.g., GLOPRAM or similar models).
- Support capacity building in public agencies and private companies in emerging and developing countries, with assistance from multilateral institutions (through studies, best practices, and lessons learned).

[2] *In developing countries, PPPs in infrastructure is estimated to be some 4% (World Bank, PPPs in Africa, 2018, Key Messages from Work of the Independent Evaluation Group).*
[3] *For a more detailed overview, please refer to the document: "PPPs in Infrastructure: 2025 Scenario and Perspectives."*