



Innovative Financing: The Canada Infrastructure Bank

November 2017 – Canadian Association of Railway
Suppliers

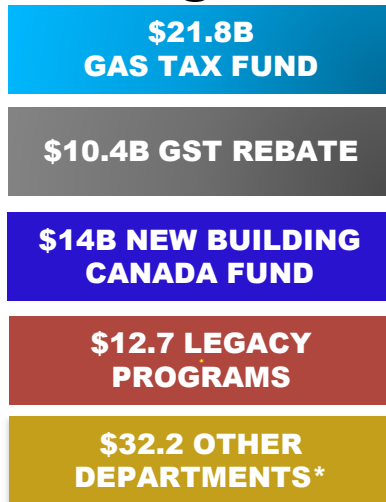
Canada has a significant infrastructure investment gap

- Investment in infrastructure, as a percentage of GDP, **declined** from 1960 until recently
- As a result, **state-of-good-repair dropped** in virtually all classes of infrastructure, and **expansion did not keep pace** with population and economic growth
- Canadian jurisdictions are faced with the multiple challenges:
 - Addressing the backlog (catching up)
 - Responding to major growth in demand (keeping up)
 - Changing policy objectives and requirements (eg. Climate Change)
- While governments are now making significant investments, **relying on public sector balance sheets alone is not sustainable**

Investing in Canada Plan

- More than **\$180 billion** in federal funding **over 12 years** to create long-term economic growth; build inclusive, sustainable communities; and support a low carbon, green economy

\$91.1BN Existing Funds



\$14.4 BN Budget 2016



\$81.2 BN Phase 2



Outline

- Mandate
- Functions
- Governance
- Investments
- Tools
- Illustrations
- Progress and Next Steps



Mandate

- Bank's mandate is:
 - to make **investments in revenue-generating infrastructure projects** that are in public interest, and,
 - seek to **attract investment from private sector and institutional investors** to those types of projects

Functions

- Act outlines functions to carry out Bank's purpose:

Investment	Non-investment
Structuring and delivering federal support for revenue-generating infrastructure	Acting as a centre of expertise on infrastructure projects involving private sector investment
Investing in projects, including through innovative financial tools (debt or equity, loan guarantees)	Advising governments on revenue-generating projects
Receiving unsolicited proposals from private sector investors	Working with all orders of government to collect and share data to inform future investments

Governance

- **Arm's length Crown corporation:**
 - Led by a Chief Executive Officer and governed by an independent Board of Directors
 - Operate like a merchant or investment bank
- **Independent** commercial decisions on how to structure project financing, if project deemed "bankable"
- Government responsible for setting the overall policy direction and high-level investment priorities of the Bank
- Governments determine public interest of projects eligible for consideration of support from the Bank or other contribution programs

Tools

- The Bank would **invest \$35 billion** towards transformative infrastructure projects (with \$15 billion in expendable capital over 11 years)
- Wide breadth of financial instruments:
 - debt and equity investments;
 - loan guarantees; and,
 - other innovative tools
- Instrument choice and mix will depend on what makes most sense for any given project

Investments

- Bank would work cooperatively with all orders of government as well as investors to identify a **pipeline of projects** and potential investment opportunities
- **Due diligence** on investments and **approval process** of projects consistent with private/institutional investors
- Investments would be made strategically, in the public interest, and aims to **crowd-in private sector capital** that would not have otherwise been invested and efficiently **transfer risk**

Expertise

- Serve as a **centre of expertise** on infrastructure projects in which private sector or institutional investors are making a significant investment;
- Foster **evidence-based decision making** and advise all orders of government on the design of revenue-generating projects; and
- **Collect and share data** to help governments make better decisions about infrastructure investments

Progress and Next steps

- Canada Infrastructure Bank to be operational in late 2017
- Legislation passed by Parliament
- Chair appointed
- Head office to be set up
- Design and Structure
- Board of Directors and Chief Executive Officer process underway
- Continued outreach



A word cloud graphic in shades of red and brown, featuring various terms related to infrastructure and banking. The most prominent words are 'Sustainable Bank', 'Transportation', 'Innovative', 'Transitive', and 'Communities'. Other visible words include 'Projects', 'Partnerships', 'Planning', 'Optional', 'Public-Trust', 'Financing', 'Infrastructure', 'PPPs', 'Tool', 'Arm's-length', 'Trade', 'Growth', 'Transit', and 'Greenfield'.

Sustainable
Bank
Partnerships
Projects
Planning
Optional
Public-Trust
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Infrastructure
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Tool
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Transitive
Communities

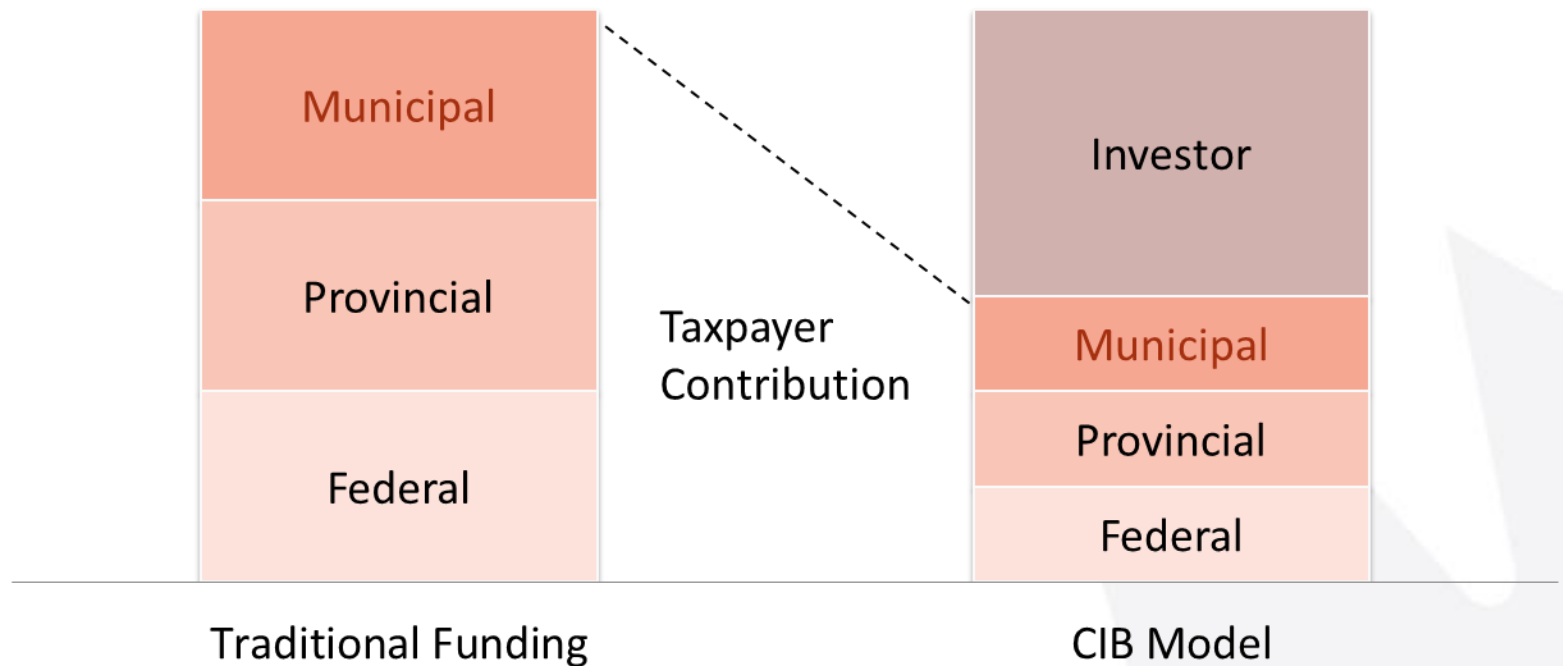
CANADA INFRASTRUCTURE BANK

A new and innovative financing tool to help public dollars go farther and help build more infrastructure projects in Canadian communities.

Canada 

Illustrative Example

Infrastructure Funding Sources



Risk Transfer

