

# MIND THE GAP: CANADA'S INFRASTRUCTURE FUNDING NEEDS

## *Smart Money, Smart Solutions*

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Let's take a simple, sensible look at Canada's infrastructure funding needs.

The country's infrastructure funding needs are, in a word, enormous. Unfortunately, the funding gap between total needs and public monies pledged (federally, provincially, municipally) is, equally, enormous – anywhere from \$100 billion to \$200 billion by most accounts.

To close this gap, ideas abound, including cost-sharing (public-private, federal-provincial-municipal), new funding instruments (revenue bonds, earmarked user fees, tax increment financing), and obviously a strong push for Public-Private Partnership (P3) funding.

These are all legitimate, reasonable suggestions for helping to mobilize and allocate funding to worthy projects. However, they are band-aid solutions, at best, and unlikely to have a major impact over time.



There are three reasons why:

- 1** These options focus mainly on trying to solve funding gaps at the project level, which only gets you so far, like trying to fill a rain barrel with a medicine dropper.
- 2** Most public-sector funding commitments tend to be one-way contributions, with nothing expected back – this is both inefficient and costly.
- 3** Government initiatives typically focus on “stacking” of funding commitments, as opposed to actual leveraging.

Closing the infrastructure funding gap is possible, but it requires a different approach. An approach that understands and reflects the different motivations and risk tolerances of public and private capital. An approach that does more with less, by transforming a dollar of taxpayer money into 100 dollars of motivated private capital. In effect, a kind of financial alchemy that unlocks exponential amounts of funding.

## Impossible? Not so.

Examples abound of innovative, catalytic government funding unlocking and leveraging private risk capital many times over. Several of these instances involve the Canadian government, including many within the last few years. Difference is, these initiatives have focused on far flung markets outside Canada.

It is time to refocus and redouble our efforts here at home. To take the lessons learned and results achieved in other markets, and creatively deploy these for the benefit of our national infrastructure.

One idea worth thought and effort: define a new asset class using a catalytic Fund approach.

Closing Canada's infrastructure funding gap is possible. All it takes is a fresh look at creative solutions.

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