

Session 8: Infrastructure Financing

-Discussion Questions-

General Questions

- We have learned about the special characteristics of infrastructure (lumpiness, long duration, and features associated with public goods). What implications do these characteristics have for financing infrastructure projects?
- Please choose a few major infrastructure projects in your home country or another country of interest to you. Collect some basic information on the financing vehicles for these projects. (1) Reflect on the reasons behind the choice of the dominant financing vehicle (eg., the characteristics of this kind of infrastructure, fiscal and macro-economic conditions of the country, the institutional context, as well as the traditional role of government). (2) Discuss the advantages and disadvantages of the particular financial vehicle. (You can use the taxonomy by the Canada West Foundation sourcebook as a reference)

Specific questions on each article

Canada West Foundation: A Sourcebook for the Financing, Funding, and Delivery of Urban Infrastructure.

- Imagine a city that is considering a proposal of building a new bridge. What financing arrangements would the following actors each prefer, given the advantages and disadvantages of the traditional financing tools as analyzed in the Canada West Foundation report?

Actors: (1) tax payers/homeowners, (2) the current mayor running for re-election, (3) local finance bureau, (4) the central/federal government.

Financing tools: (1) using capital reserves, (2) capital leasing, (3) short-term bank financing, (4) long-term municipal bonds.

- The report has discussed some innovative finance tools for infrastructure projects. Pick one innovation as an example and discuss what kind of projects/contexts it would be particularly suitable for.

Chan et al.: Public Infrastructure Financing: An International Perspective

- Information asymmetry is identified by Chan et al. as a major hurdle to allocative efficiency. What contributes to the problem of information asymmetry? What risks does it create? What do the authors suggest in order to solve the problem?

Estache, Urban Infrastructure Financing and Economic Performance in China

- What is the infrastructure gap in developing countries?
- Why did many developing countries turn to the private sector for infrastructure financing?
- What is cost recovery and why is it so important for infrastructure utilities around the world? Can cost recovery be reconciled with serving the poor? How so?

MIT OpenCourseWare
<http://ocw.mit.edu>

11.165 / 11.477 Infrastructure and Energy Technology Challenges
Fall 2011

For information about citing these materials or our Terms of Use, visit: <http://ocw.mit.edu/terms>.