

Number of ECTS credits : 3**Course language :** English**Course leader :** MARCHAIS Bertrand**Speakers :** JANSSENS JAN G , MARCHAIS Bertrand

≡ COURSE DESCRIPTION

The course will focus on international project finance and the development, financing and implementation of infrastructure projects in Europe and in Emerging Markets. The main elements of Private Public Partnerships (PPPs) will also be reviewed.

≡ COURSE OBJECTIVES

The course will give students an understanding of:

- + The fundamentals of Project finance and PPPs, in terms of standard structures, standard documentation, contractual networks and contractual risk allocation, financial evaluation and domestic and international sources of financing
- + The relationships between Project Finance and PPPs
- + The financial needs of infrastructure projects, especially in Emerging Markets, and means to identify and allocate risks in these projects
- + Financial and guarantee instruments and services provided by International Financial Institutions (IFIs), especially the World Bank Group, to support infrastructure investments and private sector participation
- + Political risks and political risk investment insurance and insurance market

≡ LEARNING OBJECTIVES

C4B learning goal	LG1 - Analysis
C4B learning objective	LO1 - Make use of critical analysis/critical thinking skills
Outcomes	Lev. 0 - Niv. 0 - NC
C4B learning goal	LG1 - Analysis
C4B learning objective	LO2 - Analyse complex situations
Outcomes	Lev. 0 - NC
C4B learning goal	LG2 - Action
C4B learning objective	LO5 - Evaluate, prevent and manage short, medium and long-term risks
Outcomes	Lev. 0 - NC
C4B learning goal	LG4 - CSR
C4B learning objective	LO10 - Identify and understand stakeholder interests
Outcomes	Lev. 0 - NC
C4B learning goal	LG5 - Cooperation
C4B learning objective	LO14 - Work effectively in a team
Outcomes	Lev. 0 - NC

≡ TACKLED CONCEPTS

Project finance and PPPs, standard project finance documentation, Project Sponsor, Project Advisers, Force Majeure, Special Purpose Vehicle and Project Company, BOT/BOO contracts, pass through mechanisms, Senior and Mezzanine debt, Export Credit Agencies (ECAs), IFIs, Investment Insurance and investment protection, Reinsurance, Political risks, Country/Project risk identification, risk allocation and mitigation,

≡ LEARNING METHODS

Teaching methods will include course materials in PPT format, study of existing infrastructure projects, discussions on assigned reading material, case study presentations by students in groups or individually, and a series of brief questionnaires and MCQs

≡ ASSIGNMENTS

Assigned readings, exercises, case studies and short quizzes or MCQs. The sessions will require prior preparatory work (revision work, readings, additional exercises)

≡ BIBLIOGRAPHY

Main text book: *E.R. Yescombe: Principles of Project Finance*, Academic Press, 2002

Additional required readings:

Selected chapters from *Stefano Gatti: Project Finance in Theory and Practice*, Second Edition, Academic Press 2012

Ad hoc reading material on project finance, risk mitigation and investment insurance (distributed before the sessions)

Lead case study

Facultative Reading

Project Finance in Developing countries, Lessons of Experience-7, International Finance Corporation, IFC Publications, 1999

Support to Enhance Private Investment For Infrastructure in Developing Countries, OECD Issue Paper, December 2012

≡ EVALUATION METHODS

30 % : Contrôle Continu

70 % : Examen

≡ SESSIONS

1 Introduction: Project Finance and Public Private Partnerships. Main features and benefits/drawbacks of Project Finance

LECTURE : 03h00

Review of the project brief for the introductory case study. Definitions and concepts. Project Finance and Public Private Partnerships. Project Finance and infrastructure financing in Emerging Markets. Review of standard structures, and common characteristics, in project finance deals. The session will also provide an overview of some of the financial modeling tools used in PF, the main elements of project financial structuring, and the main benefits and drawbacks of this particular financial technique. The introductory case study will be used to illustrate these topics. Reading: Yescombe, Chap. 2, 3 and 12§9.

2 Project Participants and Sources of Finance

LECTURE : 03h00

The session will focus on a presentation of the main participants in the project, including the project Developer/Sponsor and equity participants, Contractor, Operator and Offtaker. It will include a presentation of the main sources, public and private, at the domestic and the international levels, of project debt finance, including the syndicated loan market. The session will provide an introduction to the World Bank and examples of infrastructure projects supported by the World Bank Group and other International Financial Institutions in emerging markets. Financing and guarantee instruments used by these institutions to encourage infrastructure projects will be reviewed. Reading: Yescombe Chap. 3, 4, 5, 11§2/6

3 Main Contracts in Project finance

BRIEFING : 03h00

Project Finance contract network. Description and main provisions of a standard concession agreement and offtake Power Purchase Agreement or PPA. Main provision of a construction EPC contract, Operation and Management (O&M) agreement and Supply contract. Loan documentation, intercreditor agreement, direct agreement and other project contracts. Case study. Reading: Yescombe Chap. 6, 7

Risk Management in Project Finance

BRIEFING : 03h00

Main risk categories in an infrastructure project. Risk identification and evaluation. Principles of risk allocation. Preparation of a standard risk matrix. Description of standard lenders' security package. Control over cash flow and waterfall. Reading: Yescombe Chap.8, 9, 13\$5/7

Identification, evaluation and mitigation of political risks in projects. Guarantee instruments. Investment insurance market. Case study. Course conclusions

BRIEFING : 03h00

Detailed study of one of the main risk categories in international infrastructure projects: political risks. Définition and review of the political risk investment insurance market and cooperation among the main market participants. Techniques of political risk evaluation in investment projects. Case study. Course conclusions and preparation for the final written examination.
