

**Number of ECTS credits :** 3

**Course language :** Anglais

**Course responsible :** GUYOT Alexis

**Teachers :** 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 PF and PPPs
- + The financial needs of infrastructure projects, especially in Emerging Markets, and means to identify and allocate risks in these projects
- + Financial 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 investment insurance
- + Policies and practice of IFIs and banks to mitigate environmental and social risks

## ≡ LEARNING GOALS

**LO01 - Analysis :** Make use of critical analysis/critical thinking skills

**LO02 - Analysis :** Analyse complex situations

**LO05 - Action :** Evaluate, prevent and manage short, medium and long-term risks

**LO10 - CSR :** Identify and understand stakeholder interests

**LO14 - Cooperation :** Work effectively in a team

## ≡ 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, Environmental and Social Impact Study, 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, PPT presentations on existing 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 Reading:

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)

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. Part 1 Main features and benefits 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 : 00h00

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 IFIs in emerging markets. Financing 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** LECTURE : 03h00

Description and main provisions of a standard concession agreement and offtake PPA contract. Main provision of a construction EPC contract, O&M agreement and Supply contract. Loan documentation, intercreditor agreement, direct agreement and other project contracts.

### 4 **Risk Management in Project Finance** LECTURE : 03h00

Main risk categories in a 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.

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

LECTURE : 03h00

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Definition of main categories of political risks. Review of the investment insurance market and cooperation among the main market participants. Techniques of political risk evaluation in investment projects. Case study

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**6****Environmental and social standards used by IFIs and banks. Determination of bankability of a project. Course conclusions**

LECTURE : 03h00

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Study of the global framework applicable to the financial sector in terms of environmental and social risks. IFIs' social and environmental strategies and standards at project level, the example of the World Bank group. Performance standards. Risk categorization and disclosure. Recourse and sanction. Conclusions and short presentation on the final examination.

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