

## **Project Finance Course Outline**

This 2- day course will provide participants with a comprehensive overview of Project Finance as a financing mechanism for large projects and look at some of the key considerations to consider when contemplating a Project Finance Transaction.

The course is ideal Bankers, Lawyers and other Finance Professionals who want to get to grips with the fundamental principles of Project Finance.

### **Project Finance Overview**

- What is Project Finance
- Project Finance as a structured financing method
- Key characteristics of project finance
- Criteria for successful project financing

### **Advantages of Project Finance**

- Risk Allocation: Risks are shared among participants, reducing the burden on individual parties
- Limited Recourse: Lenders' claims are limited to project assets, minimizing sponsors' liability
- Financial Structuring: Tailored financial arrangements optimize capital structure and improve project viability
- Tax Efficiency: Tax benefits and incentives may be available for certain projects
- Independent Entity: Projects operate as separate entities, protecting sponsors from bankruptcy risks

### **Key Participants in Project Finance and their roles and responsibilities:**

- Sponsors – rationale/objectives
- Lenders - criteria
- Contractors - Objectives
- Government Agencies
- Equity Investors – Objectives: Risk & Return / Cost of Equity

Disclaimer: The outline above acts a guide to the topics to be covered in the course/workshop and may be presented in the actual course / workshop in a different order as to the one indicated above. Any major changes to the outline or subject matter of the course /workshop will be advised to all prospective participants in advance.

## **Project Finance Process and life cycle:**

- Project Identification and Feasibility Study
- The Project Finance Teams and Advisors
- Project Information Memorandum (PIM)
- Negotiation and Structuring
- Financial Arrangement and Syndication
- Construction and Implementation
- Operation and Maintenance
- Repayment and Divestment

## **Risk Management in Project Finance**

### **Risk Analysis**

- Risk Categories:
  - ❖ Commercial
  - ❖ Construction/ Completion
  - ❖ Operational
  - ❖ Technical
  - ❖ Financial
  - ❖ Political

### **Risk mitigation strategies**

- Risk Allocation techniques – The Project Finance contractual framework
- Project Risk issues in specific industry sectors:
  - ❖ Power
  - ❖ Oil & Gas
  - ❖ Water & Waste
  - ❖ Transport
  - ❖ Mining
  - ❖ Telecommunications
  - ❖ PPP and PFI Projects
  - ❖ Sectors to avoid
- Risk mitigation techniques
  - ❖ Sponsor support & Guarantees
  - ❖ Financial Analysis and Structuring
  - ❖ Use of insurance
  - ❖ Due Diligence

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- **Key Financial Ratios**
  - ❖ Debt Service Cover Ratio
  - ❖ Loan Life PV Ratio
  - ❖ Reserve Life PV Ratio
  - ❖ Reserve 'Tail'

### **Project Finance: Financial Modelling**

- Overview of financial modelling techniques
- Best Practice Approach to Financial Modelling
- Project Finance Spread Sheets
- Key EXCEL functions
- Modelling Assumptions

### **Using Financial Models for Analysis project**

- Determining Debt Capacity
- Calculating Liquidated damages/overrun/retention requirements
- Break Even Analysis
- Key Ratio Targets
- IRR/NPV valuation analyses

### **Project Finance Documentation**

- List of Basic financing Documents
- Term Sheets
- Key Clauses/Covenants: Payment Waterfall / Cash Sweeps
- Security Documents
- Direct Agreements
- Inter-Creditor Agreement
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