

PPP in the UNECE Region Bankability and Financing Issues

5th – 8th June 2007, Tel Aviv

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Introduction

- * “Bankability”.
- * Financing issues.

Bankability

What is Bankability?

- * Bankability is a relative concept.
- * Bankability changes over time.
- * Bankability involves multiple factors.

What influences Bankability?(1)

- * Unrealistic business case.
- * Public sector seeks commercial return.
- * High construction price.
- * Risks not offset to subcontractors.
- * Public sector retains significant controls.
- * Political risk.

What influences Bankability?(2)

- * Project structure.
- * Use of government owned company.
- * Ability of GOC to make all payments.
- * Extent of government commitment to GOC.
- * Other commitments of GOC.
- * Is the structure effective?

Bankability –General Factors

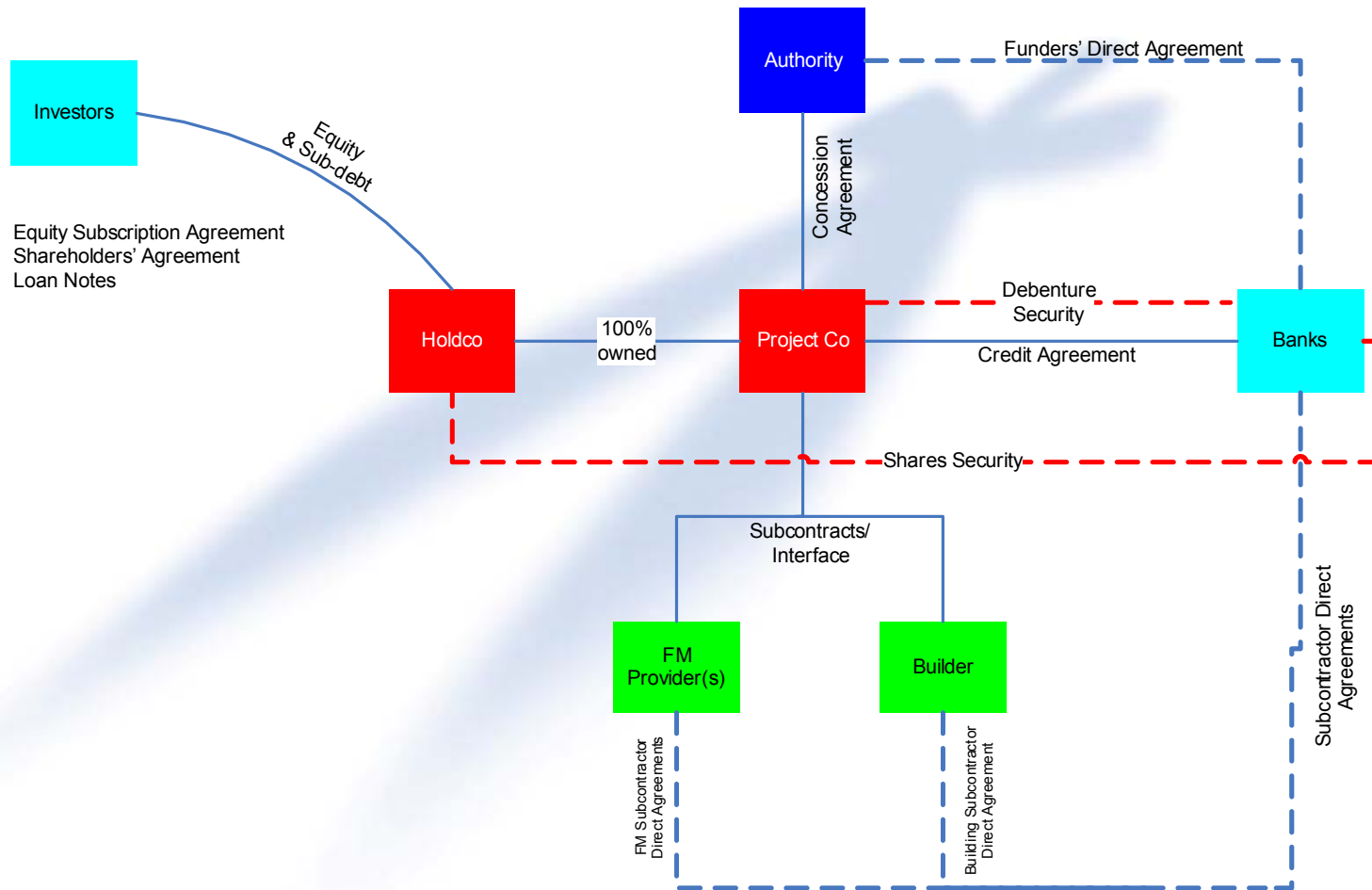
- * Creditworthiness of project cash flows.
- * Political dynamics.
- * Risk allocation.
- * Government control.
- * Direct Agreement and step-in rights.
- * Track record of parties.
- * Pricing.

Financing Issues

Sources of Finance

- * Commercial bank loans.
- * Capital markets.
- * Mezzanine.
- * Finance leases.
- * Multilateral lending.
- * Export credit agencies.
- * Government grants.
- * Equity/sponsor support.

Project Structure



Finance Structures – General Considerations

- * Structures are transaction specific.
- * Structures should reflect taxation issues.
- * Structures change.
- * Structures are jurisdiction specific.

Trends

- * Private equity and infrastructure funds.
- * More competitive market.
- * Development of hybrid acquisition structures.
- * Development of regional strategies.
- * Development of secondary market.

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