



Bhutan National Workshop on Public-Private Partnerships (PPPs)

Thimphu, 19-20 August 2014

PPP Structure and Financing Source

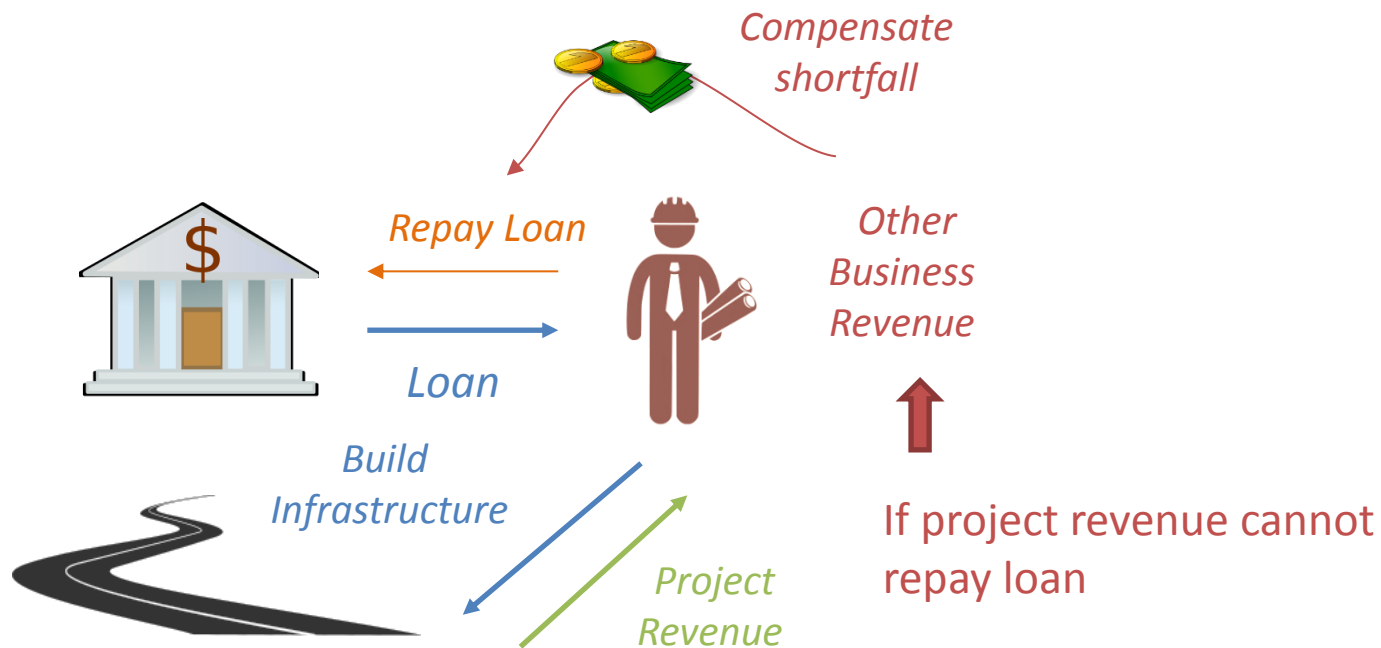
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Financing Structure (1)

Corporate Finance

The project sponsor borrows directly against its proven credit profile to invest in the project

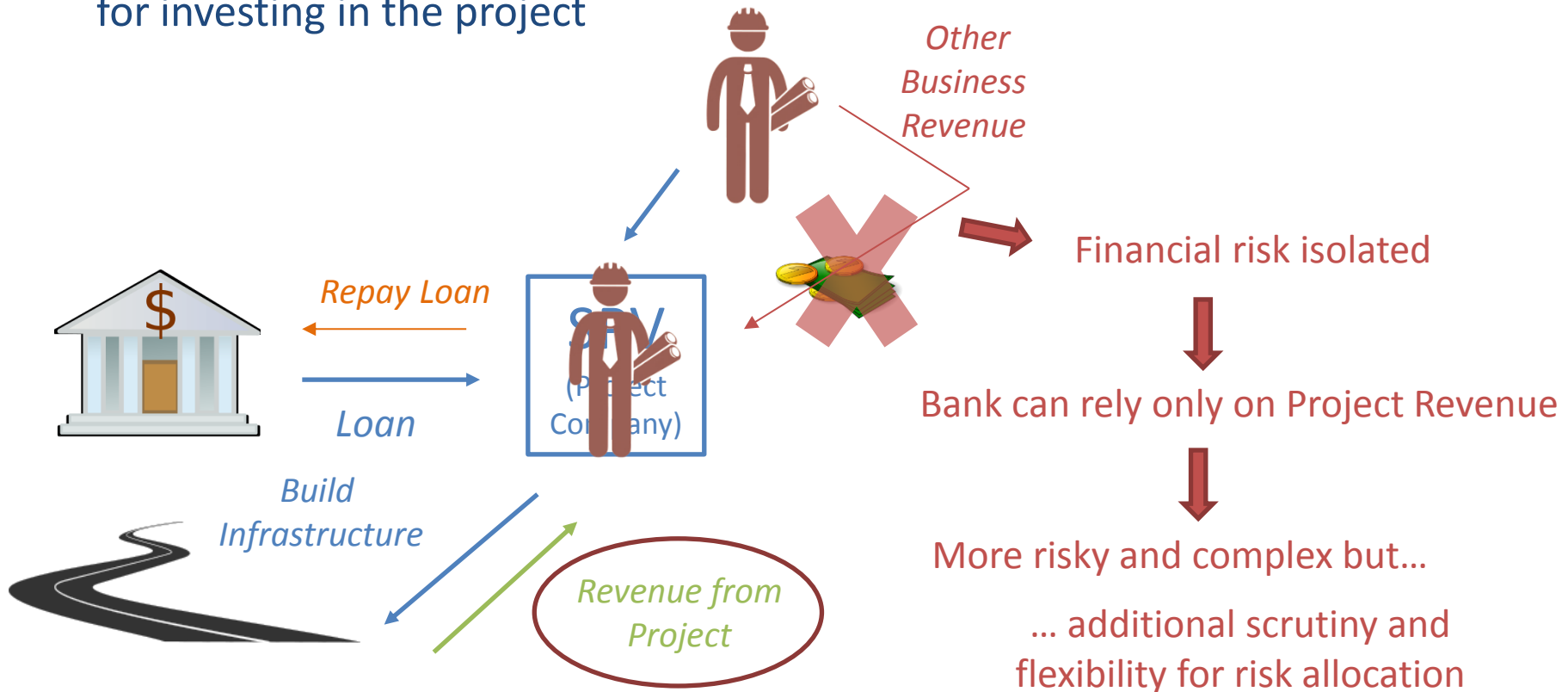


➔ If the project fails, the whole company is at risk

Financing Structure (2)

Project Finance

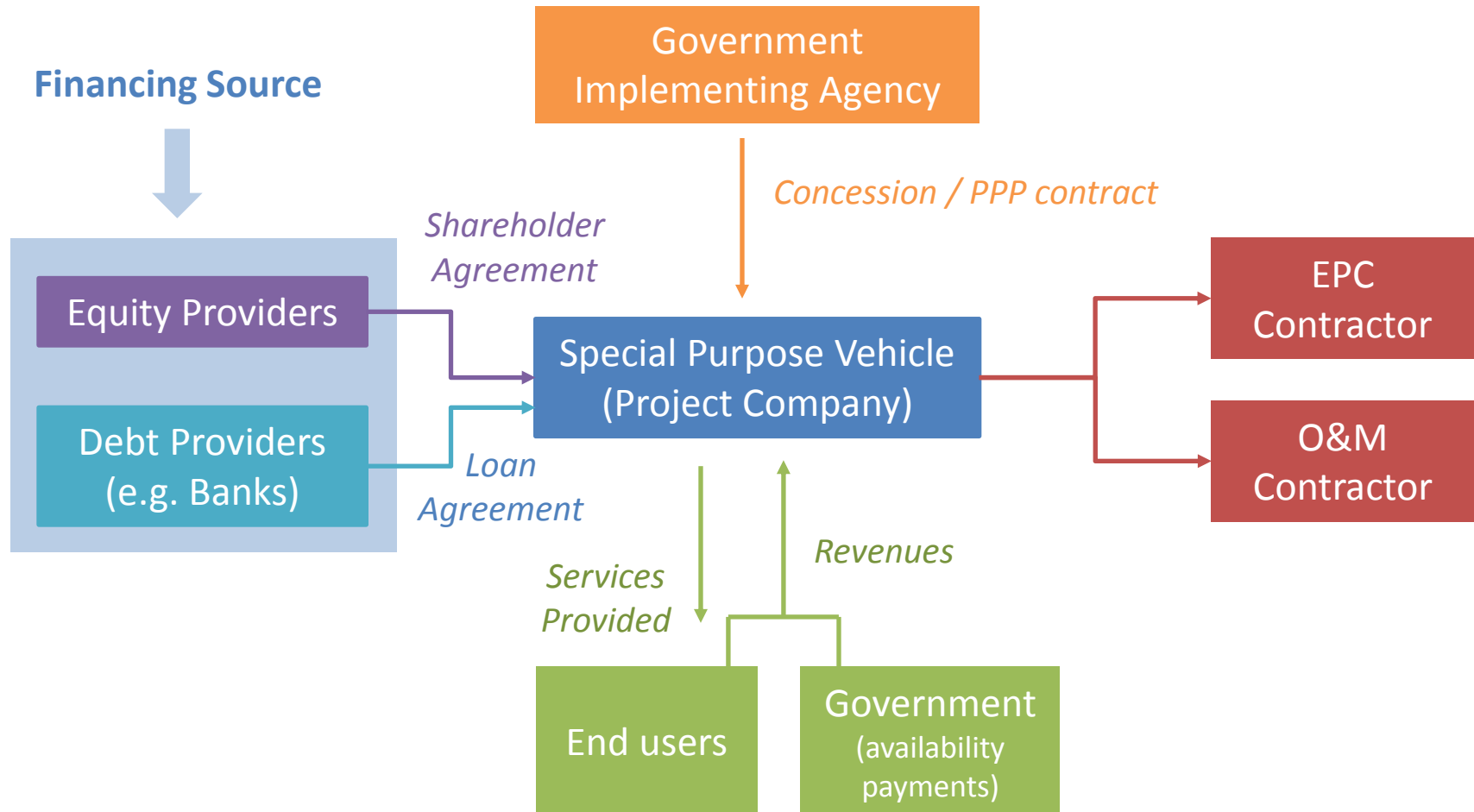
The project sponsor establishes a project company to borrow money for investing in the project



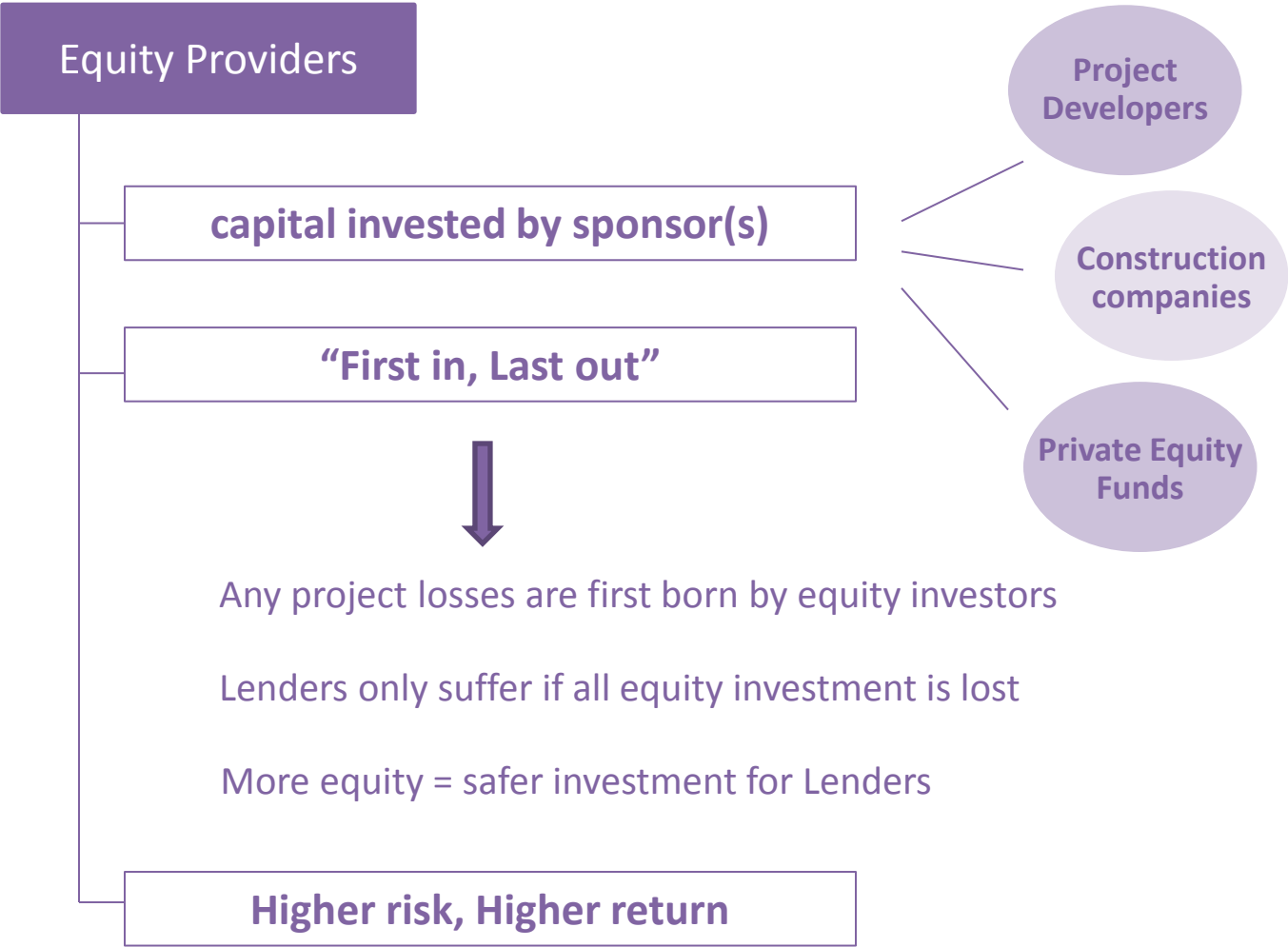
➔ Project Finance is the most common structure for PPP projects

Basic PPP Structure

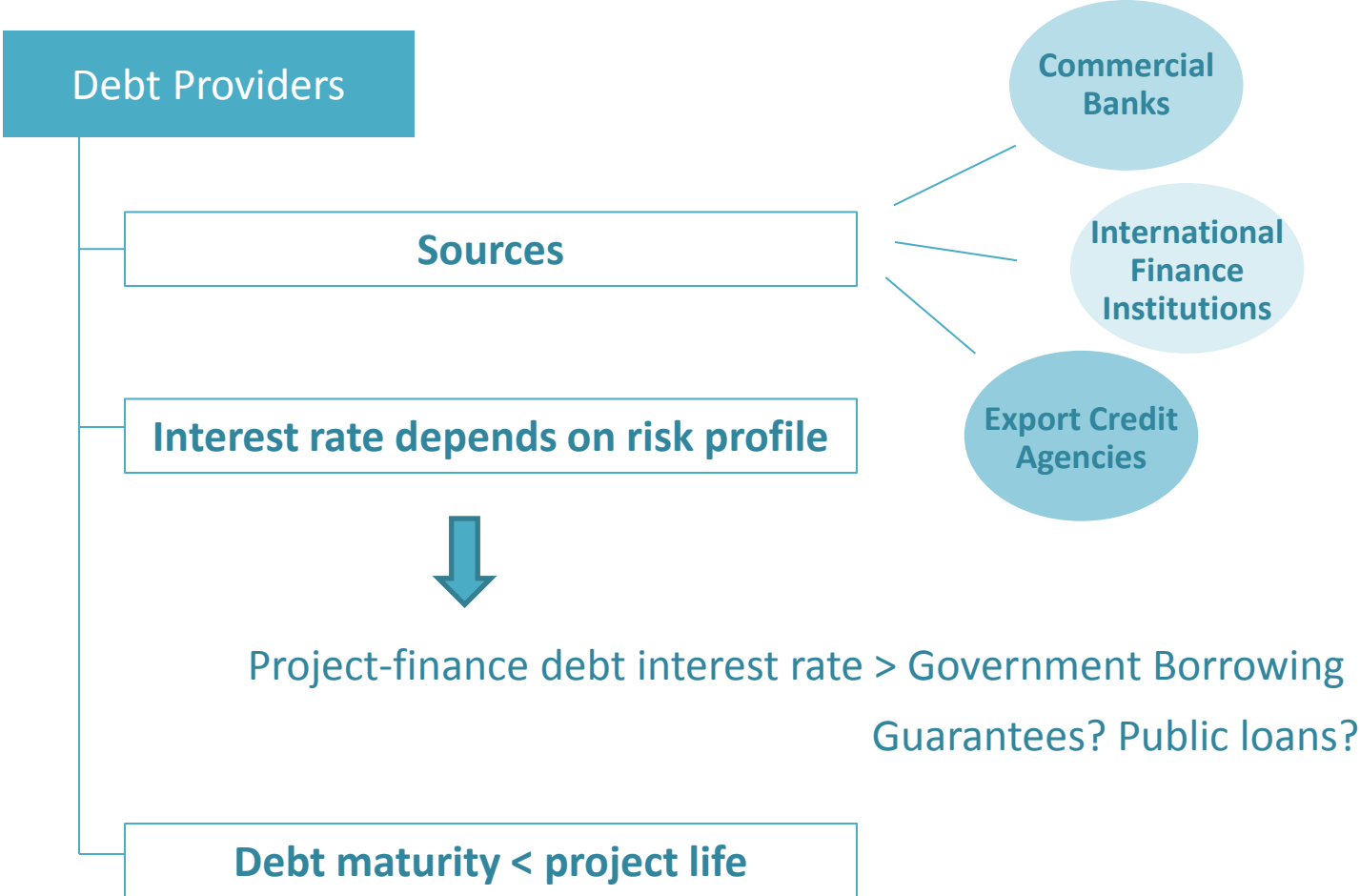
The key stakeholders



Source of financing: Equity

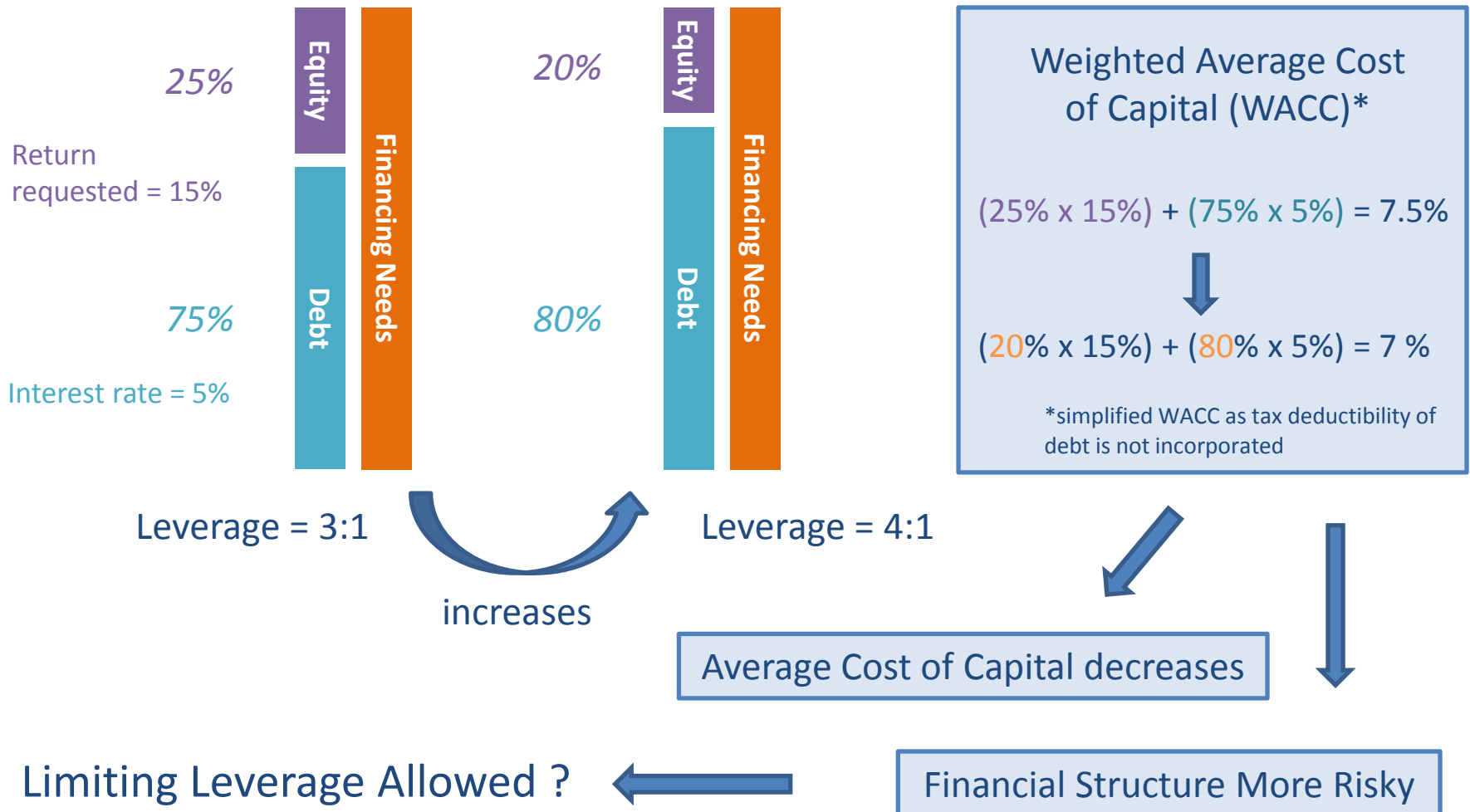


Source of financing: Debt



Leverage

Tradeoff between risk, cost and bankability



Refinancing

Risk and Opportunity

Short-Term Debt
Financing

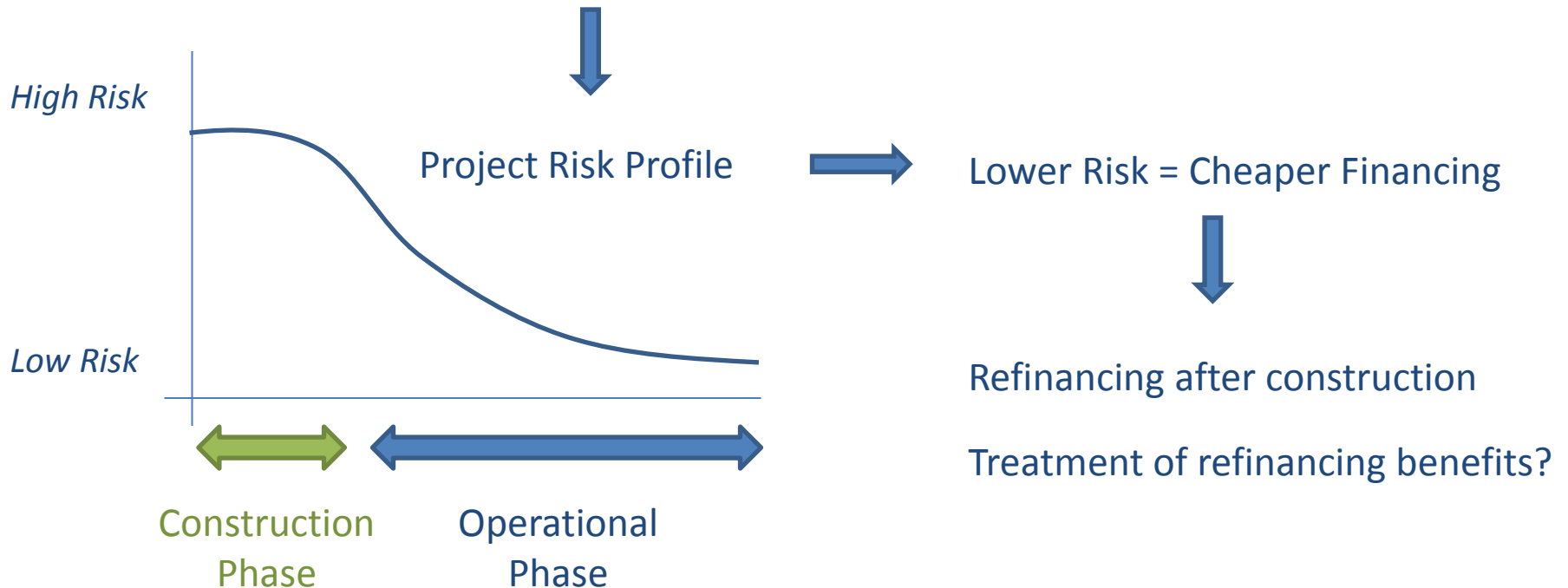


Long Term Concession

Year 1
Financial Close

Year 6
Debt Maturity
Refinancing need

Year 30
End of concession



Conclusion

Key messages

- Project finance is complex and involves significant transaction costs (getting the right advice is fundamental)
- High leverage can reduce the project cost but creates additional risk (be aware of risks)
- Public financial support is usually required to attract lenders (government support is key for PPP success)
- In some PPP structures, the private partner is not responsible for capital investment (alternative models exist)



Th@nk you

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