Syrian Banking & Investment Conference

Financing Infrastructure:

Schemes and Challenges

Overview

- Infrastructure
- Operating Schemes
- Financing Schemes
- Challenges today
- Applicability in Syria

Overview

- Infrastructure
  - power, water, public transport, schools, hospitals, prisons, waste management
  - Investment: Long-term, stable with limited market risk.

- CAPEX burden

- Risk Allocation – placing risk with those best equipped to manage it.

- Financing Schemes Applicable
  - State funding vs. PF

Project Financing

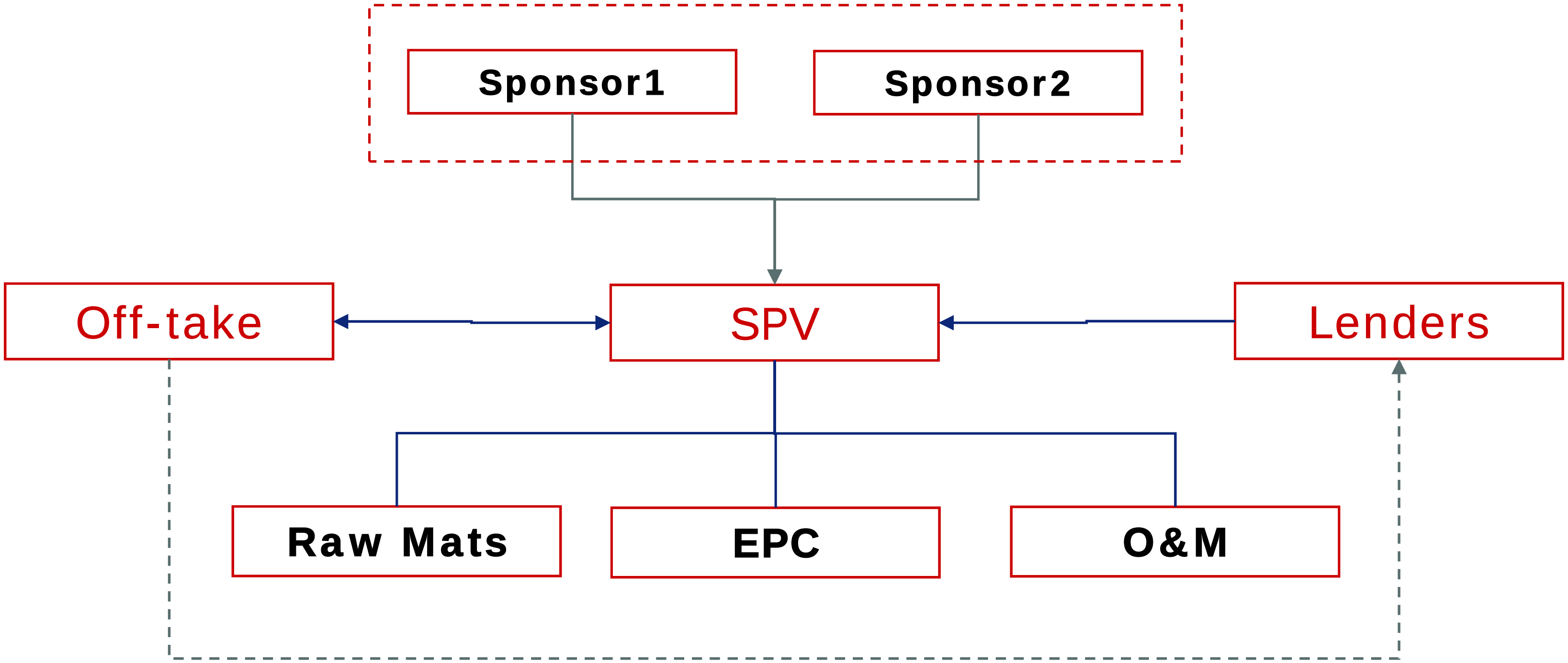
- Form of lending which involves the financing of a single major capital investment.

- Repayment relies on the cash flow and assets of the project- “limited” or “non-recourse” to the shareholders.

- Project finance facilities are typically extended to project company (SPV) established by the project sponsors solely to own and operate the project.

- PF allows for high leverage levels (60:40 - 80:20)

Basic Project Finance Structure



Why is Project Finance used?

Excellent way to procure public infrastructure, FDI and technology transfer at a low cost compared to traditional State alternatives (treasury management)

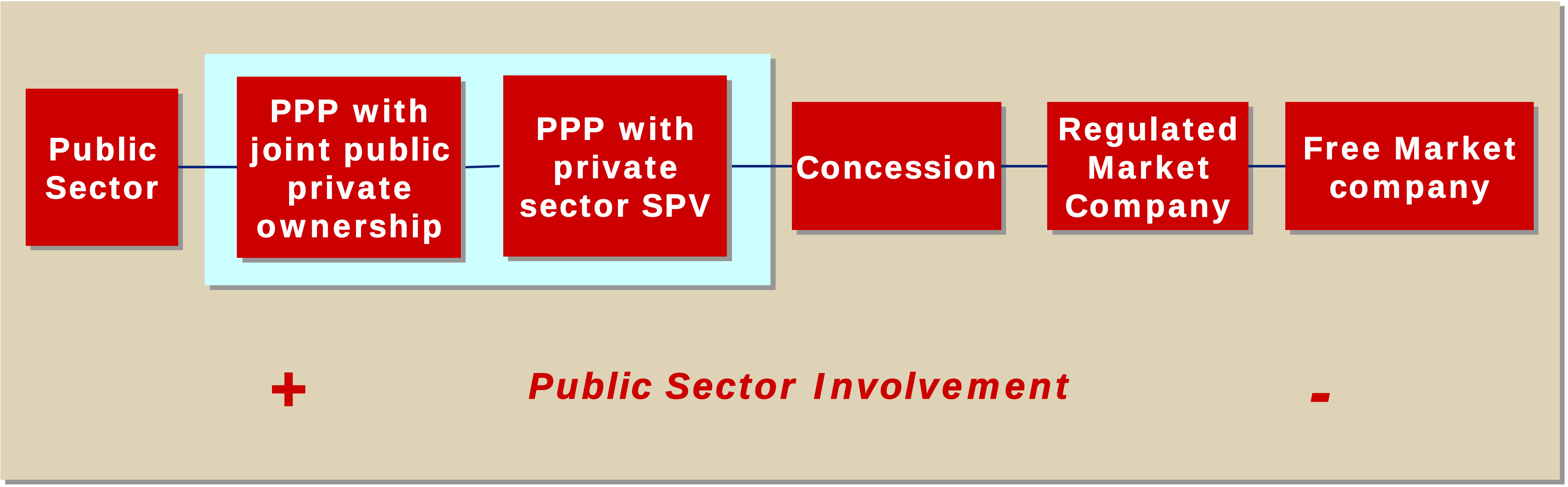
Excellent way for multiple joint venture partners to raise finance to undertake major projects, especially if the partners have different credit standing

Enables cash constrained - or risk averse - project sponsors to raise significant amounts of debt - and share risks - whilst still retaining the benefit of equity upside

Off-balance sheet funding - Enables sponsors to leverage off general banking relationships to potentially resolve constraints on corporate/sovereign debt and / or access longer term funding

PF Forms: PPP

PPP is an arrangement whereby public and private organizations undertake to jointly provide a public service and sharing the risks, (*whereby the private partner secures funding*).



PPP can be structured under different variations:

- ownership level
- duration of rights
- nature of the project
- income structure

Structure Considerations

- Performance Risk - borne by investor/operator

- Market Risk - borne by procuring authority

- Revenue structure - payment against:
  - Tariff Based: ex: IPP, IWPP
  - Service Based: ex: Waste management
  - Availability: ex: roads, hospitals, schools, prisons

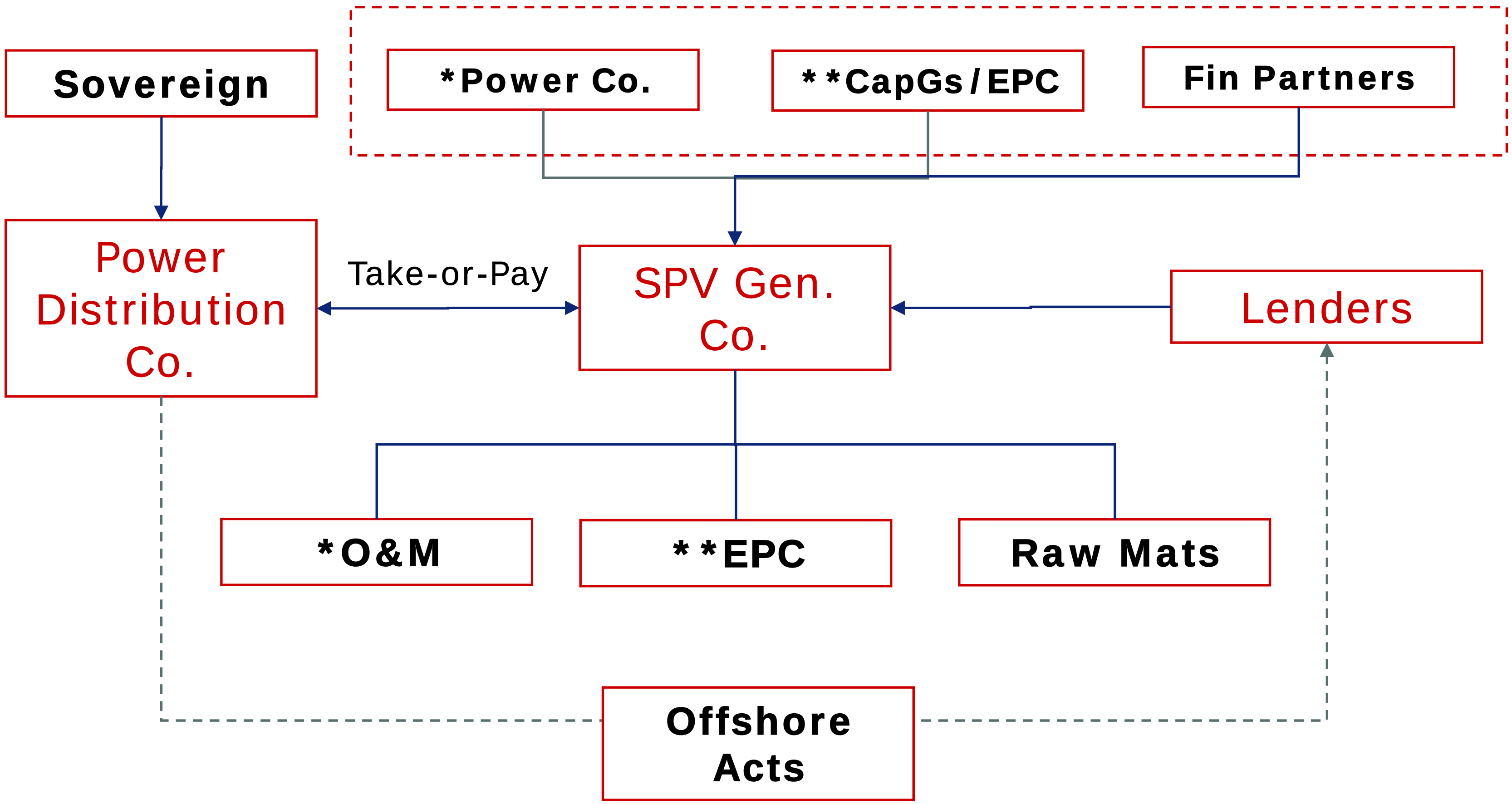
- Entry Strategy

- Exit Strategy

Sources of Finance

Funding Sources	Pros	Cons
Commercial Banks	Competitive pricing Flexibility/Deliverability	Individualized perception of risk Capacity limits
ECAs / Multilaterals	Capacity Fixed rates Long tenors	Less flexible Premiums
Islamic Finance	Similar to commercial Appetite for “real assets”	Tenors Capacity limits
Capital Markets	Tenors	Appetite for completion risks Rating/disclosure requirements
Equity Funds	Liquidity Appetite for infrastructure	Cost

Sample IPP Structure



Challenges Today

- Investor Appetite
- Priorities
- Contracting Capacity
- **Credit**
  - Availability
  - Market capacity

Applicability in Syria

- Procuring Authority Set Up
- Legal considerations (PPP law, enforceability issues)
- Tendering Process
- Risk Sharing
- Equity funding: SWF-lite
- Exit strategies

Thank You

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