

ISTANBUL PPP WEEK

16 - 19 JAN 2023

PPP: INVEST IN
PEOPLE | CLIMATE | ECONOMY



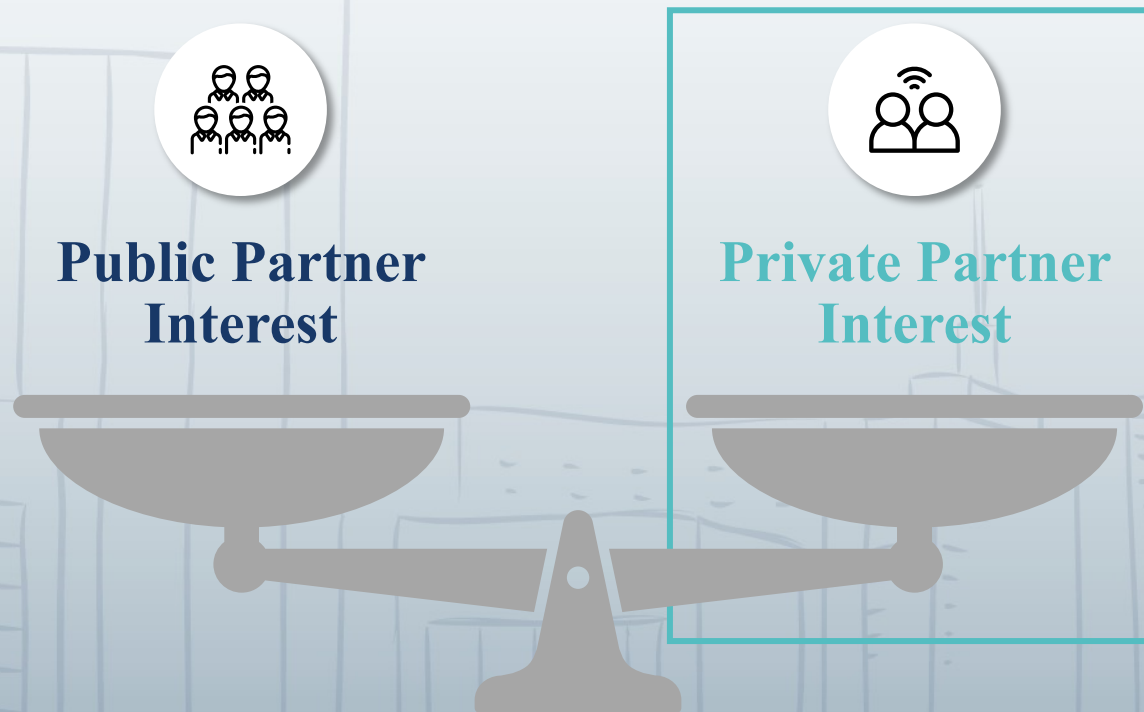
How an MDB finance a PPP project?

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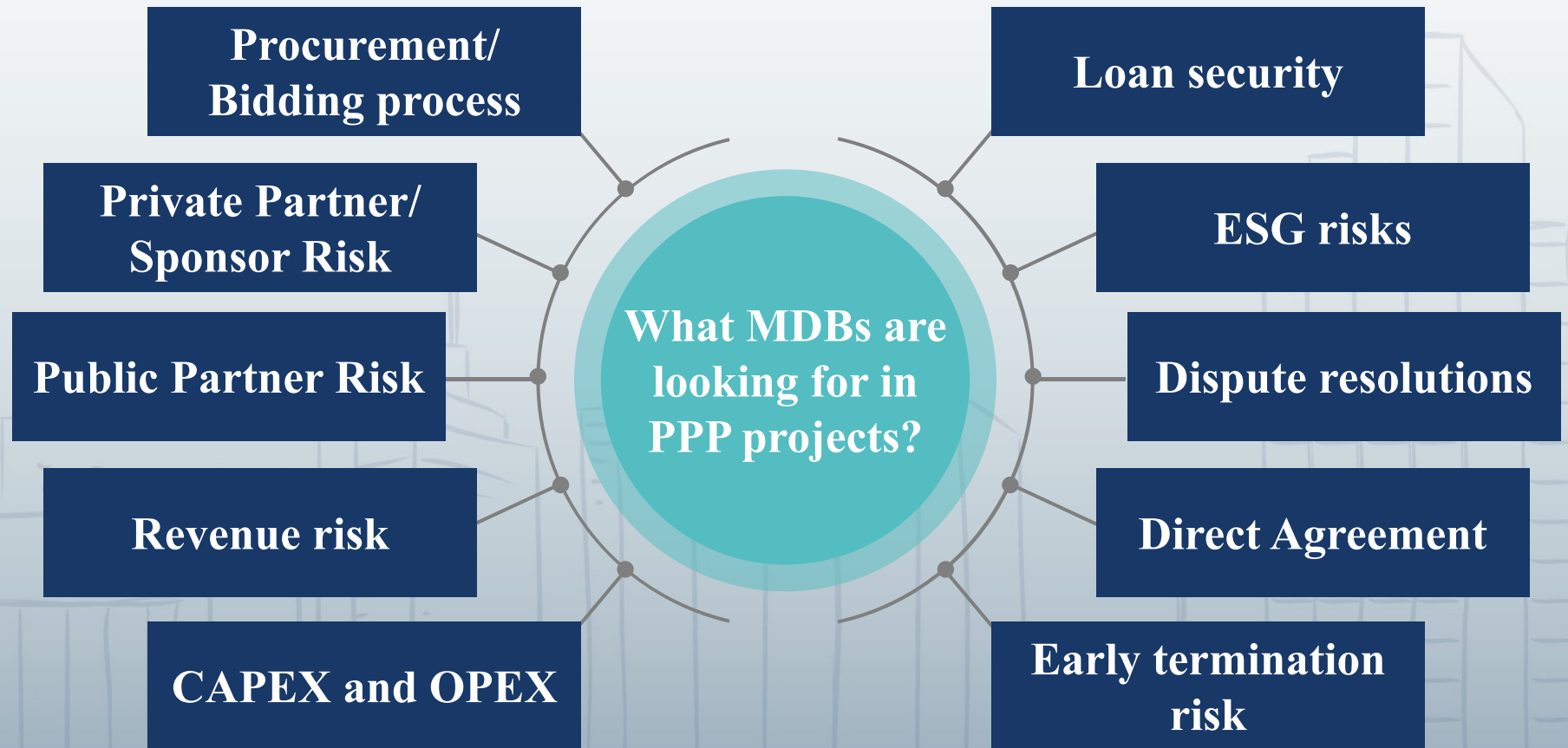
Successful PPP is about balancing interests of public partner and the private partner



- Private partner interest, apart from commercial reasons, is also driven by the lender requirements to finance the PPP project.
- MDBs are the typical lenders to private partners in long term PPP projects in developing country (other long-term finance options are usually limited).

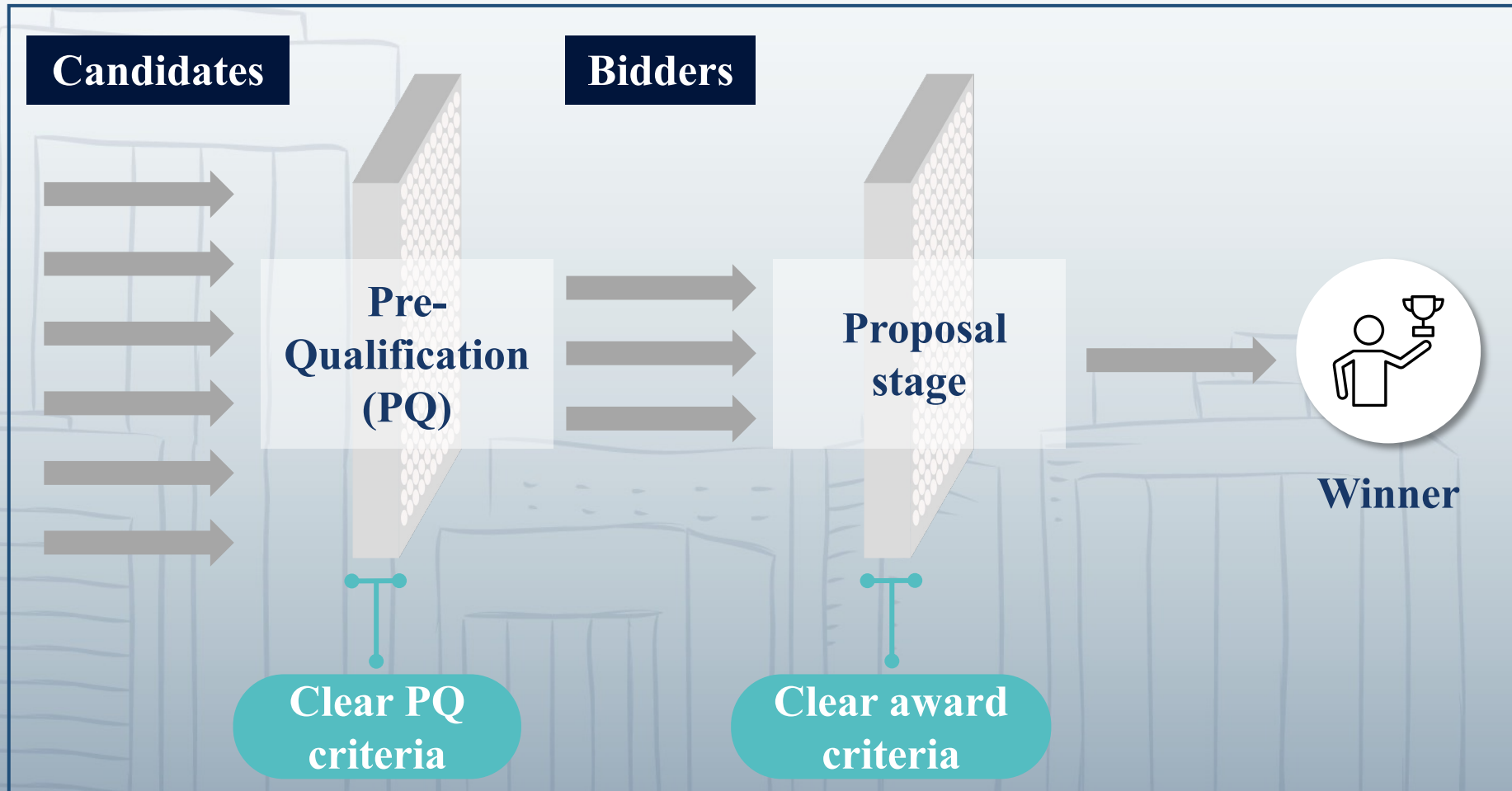
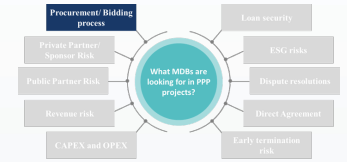
Each PPP project is different and MDB lending requirements are very project specific

- MDB lending requirements are very project specific.
- It is impossible to list all lending requirements.
- However, MDB financing requirements for PPP projects often concentrate around several broad areas.



Procurement and bidding process:

The process should be open and transparent



- Preferably the award process is open, transparent and smooth (no challenges, negative publicity, etc.).
- The tendered PPP project scope and requirements are clear and reasonable.

Private Partner Risk:

The private partner should have the necessary credentials



Public Partner

Private Partner

- Strong track record and experience in the relevant sector.
- Appropriate financial standing.
- No integrity/corruption issues

Public Partner risk:

Public Partner should be capable to fulfil its obligations



- Should be able to comply with respective obligations (outlay of budgetary resources (e.g. availability payments, minimum revenue guarantee, viability gap financing, contingent payments like termination payments) etc.)
- No integrity/corruption issues



Public Partner

Private Partner

Revenue Risk: What are the key drivers of the PPP project revenue?



Demand risk with the private partner (e.g. user-pay)

- Potential traffic
- Competitiveness of tariff and other pricing offers



Demand risk with the public partner (e.g. availability payments)

- Project funding mechanism
- Budgetary protection of approved amounts



Shared demand risk (e.g. MRG)

- Combined analysis of commercial and government funding aspects

FX risk mitigation mechanism (indexation, compensation, etc.)

CAPEX and OPEX: Safeguards to minimize the risk of over spenders

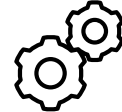


PPP project period



Construction

4-5 years



Operation

15-20 years

- EPC contractors track record and financial strength
- Disbursement profile
- Completion risk
- Operation and maintenance contractors qualifications
- Maintenance reserve accounts

Loan security: What can be pledged as security?



**Limitations
on asset
collateral**



**Limitations on
pledging shares in the
project company**



**Debt service
reserve
accounts**

ESG risks: Mitigation of environmental, social & climate risks



Compliance with local
E&S legislations



Compliance with MDB
E&S standards (land
acquisition and
resettlement, bio-
diversity, safety, etc.)

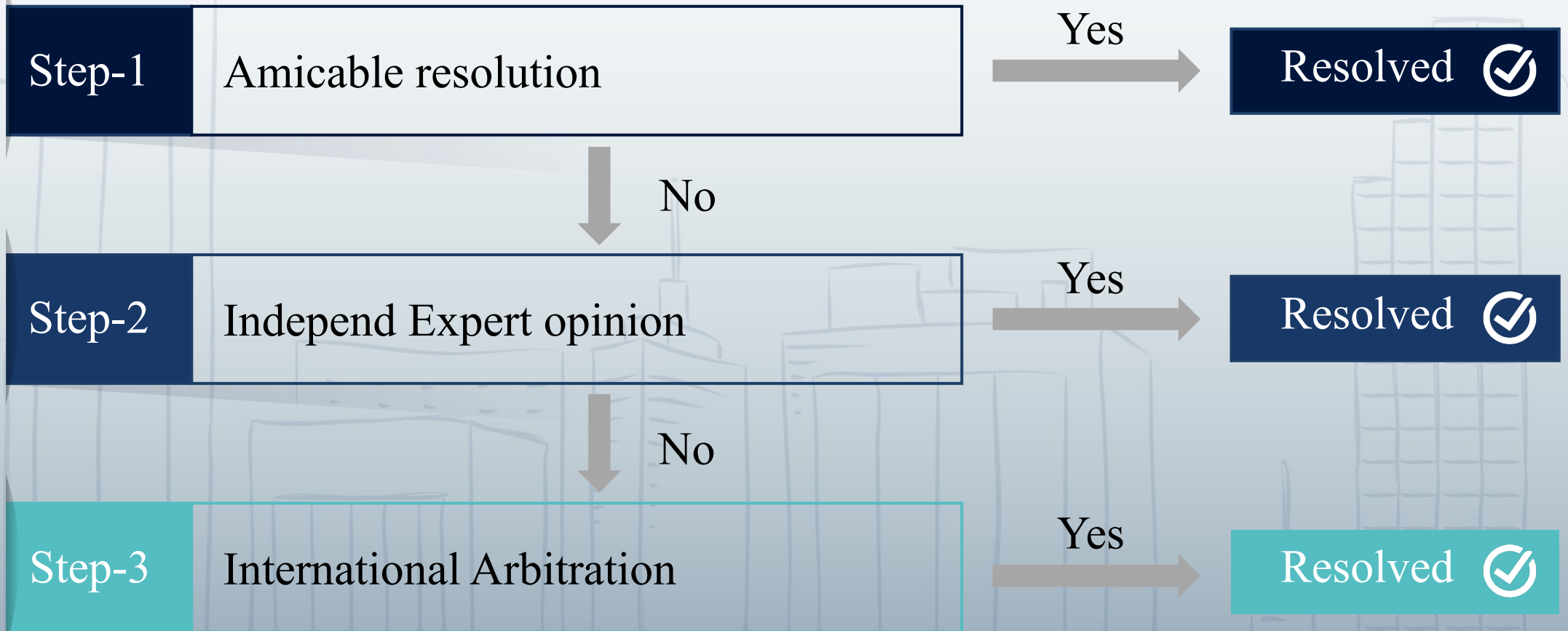


Climate related issues
addressed

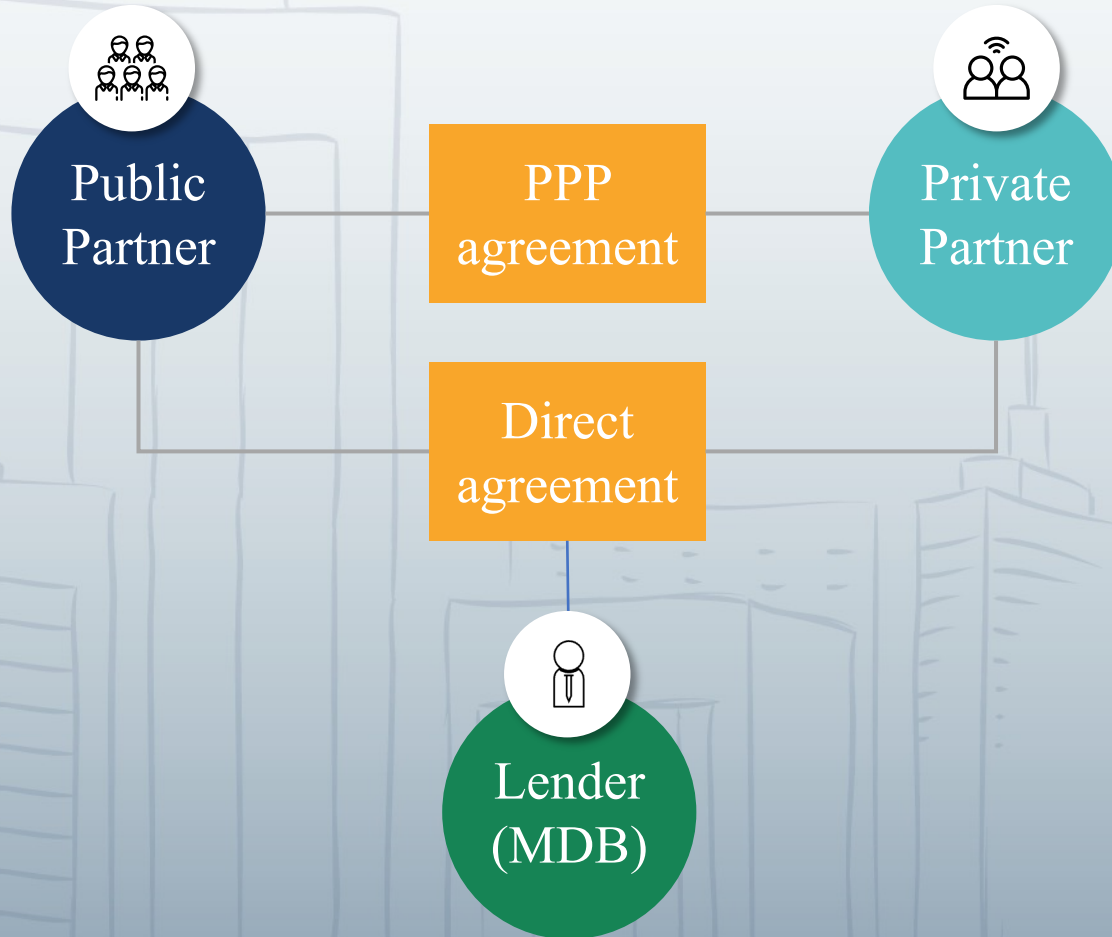


\$ Cost and impact on project financials?




Dispute resolution: International Arbitration preferably should be a last resort



Direct agreement: Possibility to sign direct agreement



Direct agreement

-  Step-in rights to cure defaults and/or substitute the private partner with another qualified operator
-  Collateral security issues
-  Other measures to avoid early termination

Early termination risk: Lenders will seek to be fully compensated



Events of default and cure periods

Early termination compensation payments

- Private partner default
- Public partner default
- Force majeure

What's the coverage of outstanding amounts to lender in each case?



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THANK YOU FOR LISTENING



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