

DAY 3: WEDNESDAY 30 JANUARY	
09.00-10.45	<b>PROJECT BANKABILITY</b> <ul style="list-style-type: none"> <li>• Key Elements <ul style="list-style-type: none"> <li>◆ Legal Framework</li> <li>◆ Regulatory Framework</li> <li>◆ Compensation Clauses: <ul style="list-style-type: none"> <li>◦ Unilateral Decisions: Government</li> <li>◦ Unilateral Decisions: Private Sector</li> <li>◦ Performance Failure by Either Party</li> </ul> </li> <li>◆ Government Support</li> <li>◆ Transfer of Assets (end of concession)</li> <li>◆ Dispute Settlement</li> <li>◆ Re-bidding Option</li> </ul> </li> <li>• Contentious Issues: <ul style="list-style-type: none"> <li>◦ Tariffs</li> <li>◦ Price Adjustments</li> <li>◦ Termination Clauses</li> <li>◦ Compensation</li> <li>◦ Step-In Right</li> <li>◦ Direct Agreement (with Government)</li> <li>◦ Government Support</li> </ul> </li> </ul>
10.45-11.00	Tea Break
11.00-12.30	<b>STRUCTURING &amp; PACKAGING</b> <ul style="list-style-type: none"> <li>• Key Elements</li> <li>• Structuring &amp; Packaging Strategy</li> <li>• Structuring Challenges: <ul style="list-style-type: none"> <li>◦ Type &amp; Strength of Developers/Investors Targeted</li> <li>◦ Type of projects</li> <li>◦ Econo-Political Environment</li> <li>◦ Legal &amp; Regulatory Environment</li> <li>◦ Social Environment</li> <li>◦ Potential Funding Sources (targeted)</li> <li>◦ Potential Market</li> </ul> </li> <li>• Variants of Project Development Structure: <ul style="list-style-type: none"> <li>◦ Public Sector</li> <li>◦ Private Sector</li> <li>◦ Public Private Partnerships</li> </ul> </li> </ul>
12.30-14.00	Lunch Break
14.00-16.00	Case Study:
DAY 4: THURSDAY 31 <sup>ST</sup> JANUARY	
09.00-10.45	<b>SECURITY PACKAGE</b> <ul style="list-style-type: none"> <li>• Definition</li> <li>• Elements of Security Package <ul style="list-style-type: none"> <li>◆ Drivers <ul style="list-style-type: none"> <li>◦ Customer Credibility &amp; Credit Worth</li> <li>◦ Government Support</li> <li>◦ Sponsor Support</li> <li>◦ Off-take Agreement (from Project)</li> <li>◦ Supply arrangements (to Project)</li> <li>◦ Tariff adjustment Mechanism</li> <li>◦ Insurance Arrangements</li> </ul> </li> <li>◆ Instruments <ul style="list-style-type: none"> <li>◦ Escrow Account</li> <li>◦ Step-In Rights</li> <li>◦ Liquidated Damages</li> <li>◦ Performance Bonds</li> <li>◦ Land &amp; Equipment Pledge</li> <li>◦ Pledge of Present and/or Future Receivables</li> <li>◦ Debt Service Reserve Account</li> <li>◦ Other Guarantees: Government / Sponsor</li> </ul> </li> </ul> </li> </ul>
10.45-11.00	Tea Break
11.00-12.30	<b>DOCUMENTATION</b> <ul style="list-style-type: none"> <li>• General Principles</li> <li>• The Term Sheet Process</li> <li>• Project Contracts / Agreements</li> <li>• Loan Agreements</li> <li>• Security Documents</li> </ul>
12.30-14.00	Lunch Break
14.00-16.00	Case Studies:
DAY 5: FRIDAY 1 <sup>ST</sup> FEBRUARY 2013	
09.00-10.45	<b>FINANCIAL CLOSE</b> <ul style="list-style-type: none"> <li>• Definition</li> <li>• Conditions Precedent <ul style="list-style-type: none"> <li>◦ Financial Covenants (Free Cash Flow, Annual Debt Service Cover Ratio, Loan Life Cover Ratio, Project Life Cover Ratio)</li> <li>◦ Representations &amp; Warranties</li> <li>◦ Others</li> </ul> </li> <li>• Drawdown considerations</li> </ul>
10.45-11.00	Tea Break
11.00-12.30	<b>PROJECT MONITORING &amp; EVALUATION</b> <ul style="list-style-type: none"> <li>• Challenges of Project Monitoring</li> <li>• Challenges of Post Implementation Evaluation</li> </ul>
12.30-14.00	Lunch Break
14.00-16.00	<b>REVIEW</b> <ul style="list-style-type: none"> <li>• Project Finance Success Factors</li> <li>• Lessons from Africa</li> </ul> <b>INTRODUCTION TO FINANCIAL MODELLING</b> <ul style="list-style-type: none"> <li>• General Principles</li> <li>• General Structure</li> </ul>



The SADC-DFRC is a  
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# Training in Project Finance



28<sup>th</sup> January – 1<sup>st</sup> February 2013

## Grand Palm Hotel

GABORONE, BOTSWANA

Building Partnerships for Economic Growth & Development

## Overview:

**Project finance** is the long term financing of infrastructure and industrial projects based upon the projected cash flows of the project rather than the balance sheets of the project sponsors. Usually, a project financing structure involves a number of equity investors, known as sponsors, as well as a syndicate of banks or other lending institutions that provide loans to the operation. The loans are most commonly **non-recourse loans**, which are secured by the project assets and paid entirely from project cash flow, rather than from the general assets or creditworthiness of the project sponsors, a decision in part supported by financial modelling.

Generally, a special purpose entity is created for each project, thereby shielding other assets owned by a project sponsor from the detrimental effects of a project failure. As a special purpose entity, the project company has no assets other than the project. Capital contribution commitments by the owners of the project company are sometimes necessary to ensure that the project is financially sound, or to assure the lenders of the sponsors' commitment. Project finance is often more complicated than alternative financing methods.

## Objectives:

At the end of the programme, participants should be able to do the following;

- Understand the nature of project finance;
- Define the role, objectives and interests of the partners in a project;
- Assess the risks of the project, and how to manage them;
- Understand the challenges of project implementation, monitoring and evaluation;
- Consider different resource mobilisation strategies;

- Gain an appreciation of economic and financial analysis of projects;
- Appreciate the requirements for project bankability;
- Develop capacity for project structuring and package, including security;
- Identify relevant documents used in project financing.

## Scope of Programme:

The programme will provide training in the elements and practices of project finance to enable participants develop the skills for packaging project finance deals, as well as develop financial models for analysis of investment projects. This will be done by way of lectures, case studies, group discussions and exercises. It is a practical programme designed to enable the participants to effectively apply their knowledge almost immediately to their workplace situations and circumstances.

## Target Group:

The programme will therefore aim to up-skill business, investment and project analysts, and other staff who are involved in, or are likely to be assigned to design and package project finance deals.

## Facilitator: Mr. Siyanga Malumo

Mr Malumo is Chairman of Africana Finance and Investments. He has been involved in resource mobilisation, project appraisal, project finance and financial modelling, with extensive capacity building experience world wide of over 30 years.

He has an MBA (Finance, Marketing), BA (Business, Economics, Law) and a Diploma (French).

## Agenda:

DAY1: MONDAY, 28 JANUARY 2013	
09.00-10.45	<b>BASICS OF PROJECT FINANCE</b> <ul style="list-style-type: none"> <li>• Historical Perspectives:</li> <li>• The Project Cycle</li> <li>• Definition of Project Finance</li> <li>• Misconceptions of Project Finance</li> <li>• Objectives of Project Finance</li> </ul>
10.45-11.00 Tea Break	
11.00-12.30	<ul style="list-style-type: none"> <li>• Key Elements of Project Finance               <ul style="list-style-type: none"> <li>◊ The Project</li> <li>◊ Project Sponsor/Promoter/Developer</li> <li>◊ Government (Concession/PPP)</li> <li>◊ Special Purpose Vehicle (SPV)</li> <li>◊ Equity Provider(s)</li> <li>◊ Lenders</li> <li>◊ Offtake (Buyer) Contract(s)</li> <li>◊ Supply Contract(s)</li> <li>◊ Engineering, Procurement, Construction (EPC) Contract(s)</li> <li>◊ Operation &amp; Maintenance (O &amp; M) Contract</li> <li>◊ Insurance</li> <li>◊ Cash Flow</li> <li>◊ Security Package</li> </ul> </li> </ul>
12.30-14.00 Lunch Break	
14.00-17.00	<b>THE RISK CONCEPT</b> <ul style="list-style-type: none"> <li>• Definition of Risk</li> <li>• Difficult Projects to Bank</li> <li>• Key Types of Risk</li> <li>• Risk Management Process</li> <li>• Risk Assessment</li> <li>• Risk Allocation</li> <li>• Risk Mitigation</li> <li>• Risk Matrix</li> </ul>
DAY 2: TUESDAY, 29 JANUARY	
09.00-10.45	<b>PROJECT IMPLEMENTATION</b> <ul style="list-style-type: none"> <li>• Challenges</li> <li>• Meeting the Challenges</li> <li>• Project Preparation Activities</li> <li>• Investment Period Activities</li> </ul>
10.45-11.00 Tea Break	
11.00-12.30	<b>RESOURCE MOBILISATION</b> <ul style="list-style-type: none"> <li>• OBJECTIVES</li> <li>• STRATEGY</li> <li>• FUNDING MIX IN PROJECT FINANCE</li> </ul> <ul style="list-style-type: none"> <li>◆ Equity:               <ul style="list-style-type: none"> <li>◊ Shareholders' Contribution</li> <li>◊ Preference Shares</li> </ul> </li> <li>◆ Debt:               <ul style="list-style-type: none"> <li>◊ Senior Debt</li> <li>◊ Subordinated Debt</li> </ul> </li> <li>◆ Hybrids:               <ul style="list-style-type: none"> <li>◊ Mezzanine</li> <li>◊ Shareholders' Loans</li> </ul> </li> </ul>
12.30-14.00 Lunch Break	
14.00-17.00	<ul style="list-style-type: none"> <li>• SOURCES OF FUNDS               <ul style="list-style-type: none"> <li>◆ Equity:                   <ul style="list-style-type: none"> <li>◊ Shareholders (Individuals / Institutional Investors)</li> <li>◊ Preference Share Investors</li> <li>◊ Venture Capital Funds</li> </ul> </li> <li>◆ Debt:                   <ul style="list-style-type: none"> <li>◊ Development Financing Institutions (DFIs): Bilaterals / Multilaterals</li> <li>◊ Commercial / Investment Banks (Domestic / International)</li> </ul> </li> <li>◆ Underwriting (Hard vs. Soft underwriting)</li> </ul> </li> <li>• USES OF FUNDS               <ul style="list-style-type: none"> <li>◆ Project Preparation</li> <li>◆ Rights, Licenses &amp; Permits</li> <li>◆ Advisors</li> <li>◆ Construction Costs</li> <li>◆ Development Costs</li> <li>◆ Financing Costs</li> </ul> </li> <li><b>ECONOMIC AND FINANCIAL ANALYSIS</b> <ul style="list-style-type: none"> <li>• Objectives</li> <li>• Economic Analysis</li> <li>• Financial Analysis</li> <li>• Analytical Tools</li> </ul> </li> </ul>