

Project and Infrastructure Finance

Course Summary

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Over the last several decades, project finance, a contracting technology for allocating the risks and rewards of large-scale projects, has become a highly visible force in the field of finance. Worldwide private sector investment in project finance deals has been around \$250-300 billion annually since the mid-2000s. The use of this type of finance is linked with successes such as British Petroleum's development of the "Forties Field" and the multiple-sponsor Mozal aluminium smelter in Mozambique, as well as with such spectacular (initial) failures as Eurotunnel and satellite phone operator Iridium.

More recently, governments around the world have begun to switch to financing capital investment off balance-sheet instead of issuing government securities. An important part of this trend is PPP (Public Private Partnerships) and PFI (the UK government's Private Finance Initiative), pioneered in the UK and becoming widespread around the globe.

Why is project financing being increasingly relied on to fund investments? What advantages does it have over traditional corporate finance? Why did some structures fail whereas others succeed? How do the governance mechanisms in such structures work? What are the valuation challenges posed by such structures? What financing innovations have they generated and how are these valued? If such projects encounter financial distress, how should they optimally be restructured? These are the questions we will address in this course. We will use the principles of corporate finance and the lens of market imperfections such as agency costs to examine how project finance can add value.

Students will apply project finance techniques and principles to gain a deeper understanding of the way that large-scale projects are structured, valued and financed. Students will work through a series of case studies to apply project finance principles and valuation methods to real-life projects.

By the end of the Project Finance elective course, students will have a framework for understanding the many ways in which project finance can mitigate specific risks and provide incentives, while also assessing the limitations of such structures.

Upon completion of the Project Finance elective, learning outcomes for the students should include having gained significant expertise in the areas:

Creating value through project finance

Project finance versus corporate finance

Financing, valuing and structuring projects

Analyzing project risks and rewards

Analyzing factors that sponsors and lenders care about in project finance structures

Public Private Partnerships (PPP, or 3P)

Project finance in emerging markets

This course is aimed at:

Participants are assumed to be broadly familiar with (through previous study or professional experience) basic corporate finance and valuation methods

Learning Outcomes

Upon completion of the Project Finance elective, learning outcomes for the students should include having gained significant expertise in the areas:

- Creating value through project finance
- Project finance versus corporate finance
- Financing, valuing and structuring projects
- Analyzing project risks and rewards
- Analyzing factors that sponsors and lenders care about in project finance structures
- Public Private Partnerships (PPP, or 3P)
- Project finance in emerging markets

Assessment Overview

**** Assessment arrangements are indicative only and subject to change but will be confirmed when the course syllabus is published to the class****

Case write ups

Weighting 30%

Group

Writeups are due the day we discuss the case in class.

Each group will submit answers that take up no more than three pages of double-spaced standard sized (not smaller than 11 point) font. It is necessary to also submit supporting spreadsheets and calculations to the extent that they frame your answers.

Exam:

Weighting 70%

Individual

Project and Infrastructure Finance

Assessment type

Follow Up Discussion:

Weighting 0%

Group

The last class period

1 Hour

Teaching Methods

This course is a block week course. It is important to read as much in advance as possible. Therefore, you should expect to take about 8 to 10 hours, and more if you choose, to do the pre-reading of the project finance primer and the first two cases, and their case questions. During the class meeting week, expect to spend 4 to 5 hours per afternoon/evening doing case work. That is, please ensure that your Monday through Thursday time outside of class is as free as possible. Doing such work will also serve as appropriate study for the in-class case final on the final session of the last day of class

Teaching/Contact Hours

Note first that the best way to get in touch with me is via email, preferably to the "utah" email address listed on the first page. I will be available for individual meetings for the duration of our course during the following times:

Every Monday 17:00-18:00

Every Wednesday 17:00-18:00

Suggested Independent Study Hours

Suggested independent study hours:

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Course Preparation and Reading

Pework:

This course is a block week course. It is important to read as much in advance as possible. Therefore, you should expect to take about 8 to 10 hours, and more if you choose, to do the pre-reading of the project finance primer and the first two cases, and their case questions.

Course work:

Although the course will not follow any textbook, there is an interesting book covering project finance topics by Yescombe (2002) should you want to obtain it for background reading or for some additional institutional-specific detail:

Principles of Project Finance by E.R. Yescombe, copyright 2002, published by Academic Press

This book is not required nor will it be explicitly referenced.

There are many primers and subject notes that you will want to read. Additionally, there are, of course, the case assignments for which you will need to read in depth and work out solutions.

Course Structure

The following teaching methods will be used on this course:

Lecture(s)

Guest Speaker(s)

Other (please specify below)

Streams

E176 A SUM23	SUM23	Ramin Baghai	Block Week
E176 B SUM23	SUM23	Narayan Naik	Block Week
Date	Start Time	End Time	
19/06/2023 Monday	09:00	11:45	
19/06/2023 Monday	12:45	15:30	
20/06/2023 Tuesday	09:00	11:45	
20/06/2023 Tuesday	12:45	15:30	
21/06/2023 Wednesday	09:00	11:45	

Show

Schedule



Hide

Schedule



Project and Infrastructure Finance

21/06/2023 Wednesday	12:15	15:30
22/06/2023 Thursday	09:00	11:45
22/06/2023 Thursday	12:45	15:30
23/06/2023 Friday	09:00	11:45
23/06/2023 Friday	12:45	15:30
25/06/2023 Sunday	12:00	18:00

