

Fachbereich 3
Business & Law:
Forschungssymposium
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Project Finance: The Role of International Financial Institutions

Prof. Dr. Lars D. Wellejus

International Financial Institutions (IFIs)

here of interest: Multilateral and Regional Development Bank

IFI:

- Financial institutions
- governed by several states with the
- aim of financing development

Multilateral



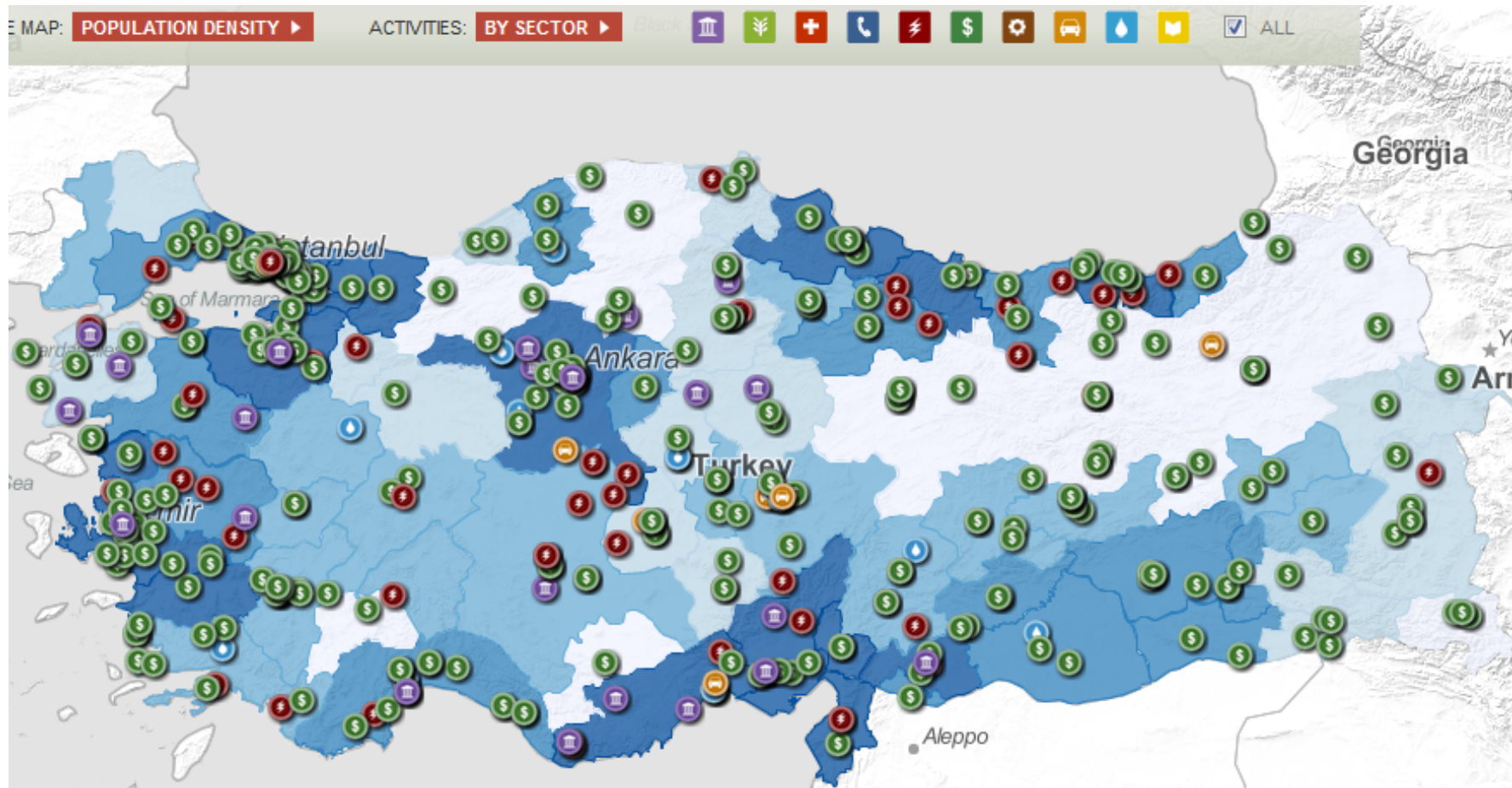
Regional



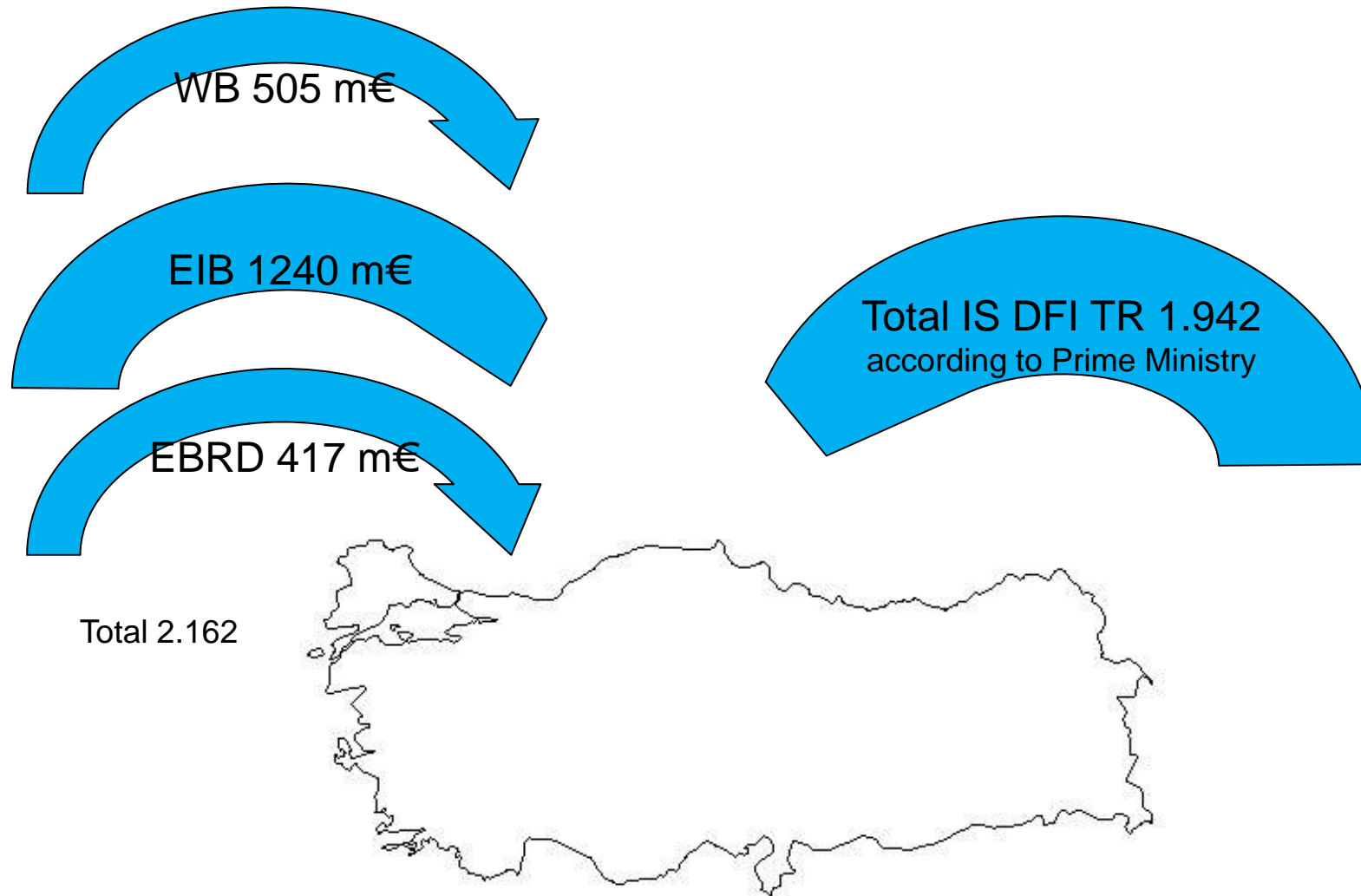
Subregional



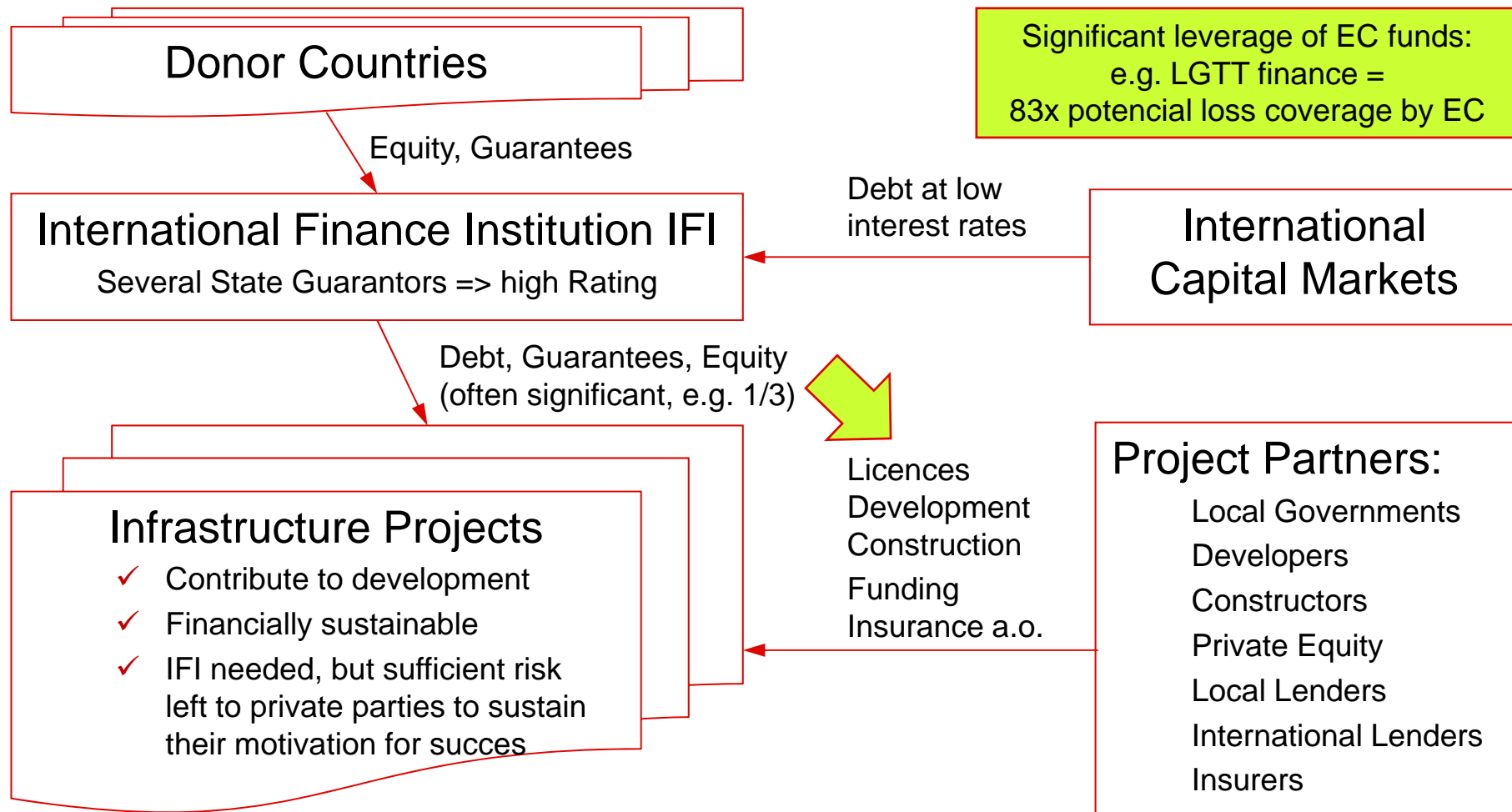
Significant Presence Here: in Turkey



Significant Infrastructure Investments Turkey 2011



State support enable IFI to encourage private investment by channelling funds from capital markets to developmental projects



Strong state backing enables IFIs and DFIs to refinance themselves competitively and provide marginal support to make infrastructure projects attractive to private entities, without removing their motivation for success.

Figure 1

LGTT in Current Project

Financial Model Inputs

Inputs

Availability
Integrity

General

Construction

Revenue

Visitors

Visitor Characteristics

Fares

Season

Capacity Constraints

Sensitivity

Traffic		2010	2011	2012	2013
Live		2	-	-	-
BC	% of Base Case	1	0%	0%	0%
Ramp-Up Downside	%	2	0%	0%	0%
Upside	%	3	0%	0%	0%
Spare1	%	4			
Spare2	%	5			

Cost

Funding

Senior Debt

Debt Service Reserve Account (DSRA)

Stand-By-Facility & Mezzanine EIB LGTT Traffic Shortfall Facility

Drawing and Repayment junior to DSRA

Facility Size	%	0%	-	EUR000
Ramp-Up period covered	yr	7.0 yr	31. Okt 22	Availability
Max. Traffic Revenue Shortfall	%	35%		of Base Case

Margin Stand-By-Facility	/ p.a.	1.00%	on EURIBOR
Margin EIB LGTT during Guarantee	/ p.a.	3.50%	on EURIBOR
Margin EIB LGTT during Payback	/ p.a.	4.00%	on EURIBOR
Repayment Period	yr	5.0 yr	31. Okt 27

Equity

Accounts

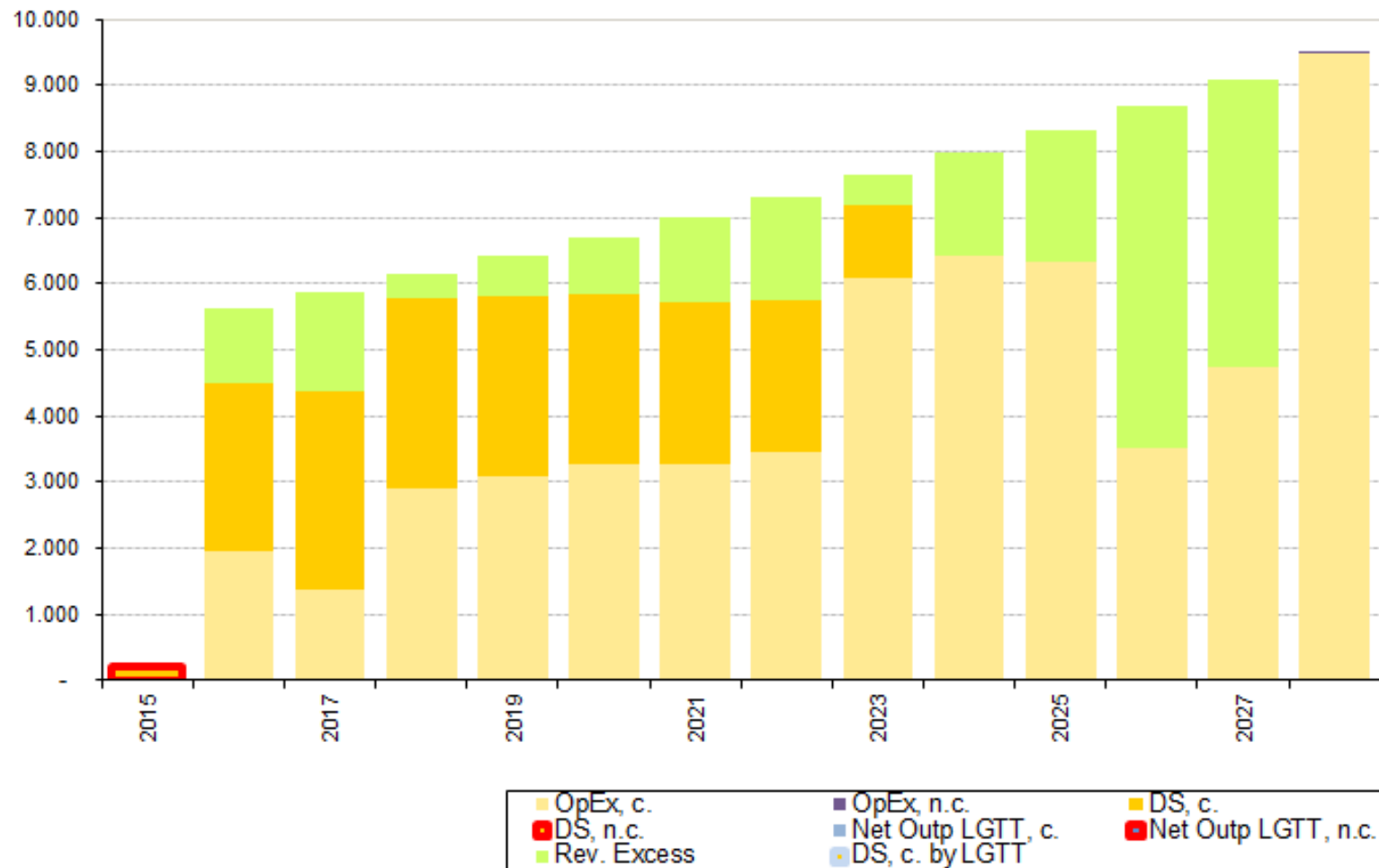
Macroeconomics

Integrity

Technical Section

Example LGTT in a Current Traffic Project Cash Flow Coverage of Debt Service

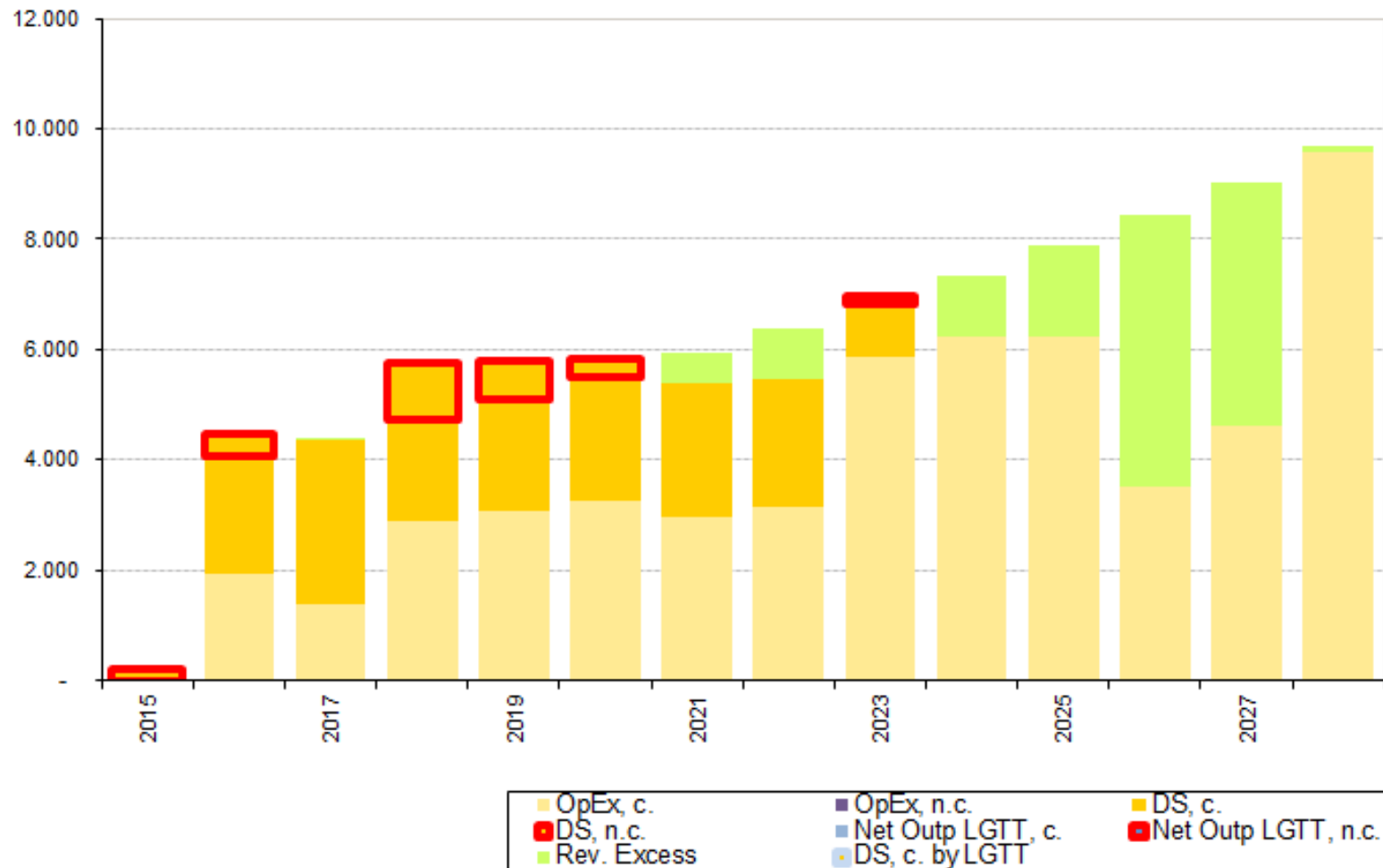
Base Case, sufficient excess revenue (green):



Example LGTT in a Current Traffic Project

Cash Flow Coverage of Debt Service

Traffic Downside Scenario without LGTT: Senior Debt defaults (red frames)



Example LGTT Takes the Edge of Ramp Up Traffic Risk

Loan Guarantee Instrument for Trans-European Transport Network Projects

LGTT Facility: Conditional Mezzanine for Ramp-Up Traffic Shortfalls

- 10 – 20% of senior debt
- 7 year ramp-up covered
- within prudential shortfall limits
- given appropriate private participation

2008 – 2013

1 bn€ EC capital

=> 5bn Guarantees

=> 20 – 40 bn € senior loans

=> Bang for the buck!

LGTT in Current Project

LGTT Size is increased from 0% to 20% of Senior Debt

Sensitivity

Traffic			2010	2011	2012	2013
Live		2	-	-	-	-
BC	% of Base Case	1	0%	0%	0%	0%
Ramp-Up Downside	%	2	0%	0%	0%	0%
Upside	%	3	0%	0%	0%	0%
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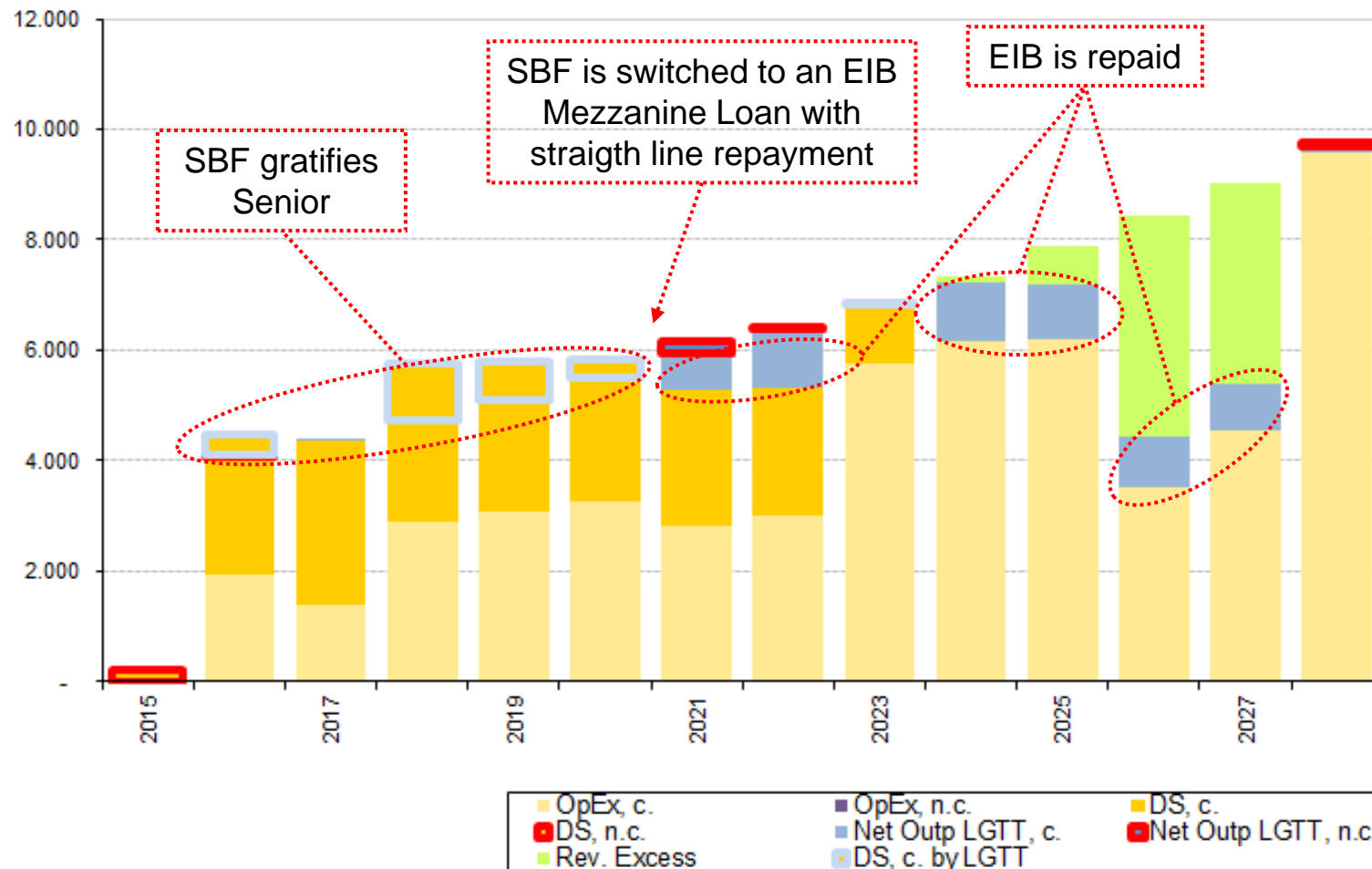
Increased to 20%!

Margin Stand-By-Facility	/ p.a.	1,00%	on EURIBOR
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Example LGTT in a Current Traffic Project

Cash Flow Coverage of Debt Service

Traffic Downside Scenario with LGTT: LGTT rescues Senior and is paid back later



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