

# Contents

## Part I: Infrastructure investment and financing needs

- 1 Global infrastructure—a growth story  
*David Rickards, Macquarie Bank*  
Drivers of growth  
The infrastructure investment gap  
Opening the doors to privatisation  
The Cinderella asset class  
Distinct characteristics appeal to investors  
Characteristics of infrastructure as an asset class  
Fundamental features  
Infrastructure vs other asset classes  
Infrastructure in a portfolio—more return, less risk
  
- 2 Infrastructure needs in Latin America and the Caribbean  
*Marianne Fay and Mary Morrison, World Bank*  
Infrastructure improvements have been modest in Latin America and the Caribbean over the past decade  
Private entry did not make up for public retrenchment  
Message 1: The region needs to spend more on infrastructure  
Message 2: The region also needs to spend better  
Message 3: Governments remain at the heart of infrastructure service delivery  
Message 4: Bringing back the private sector requires learning from the past  
Facing the challenges and setting priorities  
Developing new sources of financing
  
- 3 Promoting and financing the development of transport infrastructure in Africa  
*Andrea Goldstein, Organisation for Economic Cooperation and Development*  
Transport, growth and poverty reduction in Africa  
The state of play in Africa: geography, history and transport infrastructure

The development of transport infrastructure in Africa: a historical perspective  
The adequacy of different transport modes  
Consequences: heavy poverty toll and hindrance to economic performance  
Looking ahead: what roles for government, the private sector and the international community?  
Managing risks in infrastructure projects  
Strengthening regulation  
Regional cooperation

- 4      Infrastructure needs in the Middle East, North Africa and South Asia  
*Tom Speechley, Abraaj Capital*  
Introduction  
MENA  
South Asia  
Conclusions
- 5      Infrastructure financing in India: constraints and challenges  
*Priya Basu, Varsha Marathe and Inderbir Singh Dhingra, World Bank*  
Key constraints to private financing of infrastructure  
Increasing private financing of infrastructure: the way forward
- 6      Infrastructure financing in Turkey  
*Mete Yegin and Fuat Tuğaç, Pekin & Pekin, Istanbul*

## **Part II: Government accounting issues**

- 7      Accounting issues: Maastricht and its influence on financing public infrastructure  
*Wolfgang Meister, Kommunalkredit Austria and Dexia Kommunalkredit Bank*  
The Maastricht project—the starting point  
The Maastricht project—the implementation of the 50 per cent rule within local governments of Austria  
The Maastricht project—sale of the UWF loans by way of a present-value model  
The Maastricht project—acquisition of government bonds by the UWF  
The Maastricht project—reducing the government deficit  
Present-value sales of housing loans of state (provincial) governments  
The sale of housing loans through ABS structures  
Eurostat decision on securitisation operations undertaken by general government  
Discussion of the Eurostat decision—transfer of risks in the case of a securitisation

Discussion of the Eurostat decision—transfer of risks in the case of present-value sales

**Part III: Public-private partnerships**

- 8 Achievements and challenges of private participation in infrastructure in Latin America: evaluation and future prospects  
*Luis A. Andrés, Makthar Diop and José Luis Guasch*  
Introduction  
Private participation in infrastructure  
Technocratic evidence: the impact of private participation programmes in infrastructure
- 9 The role of infrastructure finance and PPPs in North America  
*Conor Kelly, Depfa Bank*  
Introduction  
Part 1: what are PPPs?  
Part 2: PPPs in the North American infrastructure market  
Part 3: how to introduce PPPs to the United States  
Part 4: United States project pipeline  
Conclusion
- 10 The Camisea gas project: a multi-stakeholder perspective on conflicts and negotiation  
*Valeria Vences and Ryan J. Orr*  
Peruvian business and political context  
Camisea project  
Interaction, conflicts and negotiation process
- 11 The effect of risk transfer on PPPs: an evaluation based on a UK road project  
*David Eaton, University of Salford and Rifat Akbiyikli, Sakarya University*  
Introduction  
Background  
The bidding process  
Operational phase  
Risk transfer  
Value for money  
Key messages  
Conclusions concerning value for money  
The hypothetical risk transfer approach  
Comparative risk allocation matrix analysis  
MERA analysis of SLEEPT risk register anomalies  
Conclusions
- 12 Special purpose vehicles for infrastructure project financing through public-private partnerships

*Abu Naser Chowdhury and Chotchai Charoenngam,  
Asian Institute of Technology*

Introduction  
Methodology  
Identification of attributes  
Screen and scrutinise  
Analysis and results  
Financial sources and strategies  
Legal framework  
Security and agreements  
Credit enhancement  
Model development  
Conclusions

#### **Part IV: Infrastructure financing techniques**

- 13            Financial structuring of infrastructure projects in public-private partnerships—a tool for designing feasible structures  
*Antonio Vives, Juan Benavides and Angela M. Paris*  
Introduction  
PPPs and the limitations of local context  
A new analytical framework: principles  
Description of framework components  
Local conditions (variables)  
Project modalities  
Tools  
Creating the project feasibility map—application of the tools and modalities for weak local conditions  
Assess local conditions  
Evaluate which modalities may work  
Assess which tools may apply  
Combine tools and modalities to determine potentially feasible project structures  
Improving local conditions  
Closing remarks
- 14            Securitisation financing of infrastructure from a credit perspective  
*Paul Lund and Jonathan Manley, Standard & Poor's*  
Corporate securitisations  
Positive outlook in infrastructure sector across Europe  
Continued evolution within the corporate securitisation sector  
Slow-down in primary market  
Relative rating stability despite risks remaining  
Refinancings fuelling activity in the wider corporate securitisation sector  
Popularity growing for collateralised debt obligations

A background to the growth in collateralised debt obligations  
CDOs applied to PPP projects  
EPIC II—a case study  
The attraction of securitising PPP loans

- 15 Project finance collateralised debt obligations:  
What? Why? Now?  
*J. Paul Forrester, Mayer Brown LLP*  
What?  
Core concept of CDOs  
CDO characterisation  
CDO structure  
Why?  
Superior recovery rate and recovery period  
Growing project finance activity  
Asset: liability management by originators  
Motivations for project finance CDOs  
Now?
- 16 Funding clean drinking water systems in a prosperous China  
*Robert W. Doty, American Governmental Financial Services Company*  
Advantages  
The problem  
The solution  
Certain project funding variables  
Source of funding  
Types of instrument  
Project sponsors  
Applying existing Chinese law in conjunction with COP technology  
Leasing in China  
Structuring transactions  
Contrast with BOT transactions  
Yields to investors  
Transactional timing  
Assembling professional teams  
Professional transactional costs  
Legal and regulatory compliance  
Developing a market  
Banking considerations  
Key steps to the solution  
The key step is to begin  
Conclusion
- 17 An emerging markets perspective on sovereigns securitisation as a method of infrastructure finance  
*Andreas A. Jobst, International Monetary Fund*  
Introduction

Discussion

- 18 Shari'ah-compliant infrastructure and project finance  
*Michael J.T. McMillen, Fulbright & Jaworski LLP*  
Introduction  
Infrastructure and project finance  
Shari'ah-compliant financing (Islamic finance)  
Conclusion
- 19 Legal aspects of infrastructure financing in Italy  
*Marco Cerritelli, Banca OPI S.p.A.*  
Introduction  
Regulatory trends in infrastructure financing in Europe  
Italian regulatory framework  
The Italian PFI task force (*Unità tecnica finanza di progetto*)  
The contractual relationship  
The project company  
Nature and forms of security in Italian transactions  
The Italian market of PPP
- 20 An introduction to investment insurance against political risks  
*Kenneth W. Hansen, Chadbourne & Parke*  
Introduction to the issue—political risks in emerging markets  
Origins of the political risk insurance marketplace  
Available coverages  
Who's who in the marketplace  
Market developments  
Avoid pitfalls  
The bottom line

**Part V: Sources of infrastructure financing**

- 21 The role of development banks in infrastructure finance,  
World Bank views  
*Jeff Delmon and Ellis J. Juan, Infrastructure Economics and  
Finance Department, World Bank*  
Introduction  
The World Bank's lessons from financing infrastructure  
Looking ahead  
Key considerations in financing infrastructure in developing  
economies
- 22 EBRD support for infrastructure development in central and  
eastern Europe  
*Arthur Schankler, Senior Banker, Municipal and Environmental  
Infrastructure Team, European Bank for Reconstruction and  
Development*  
Infrastructure sectors  
Municipal and environmental

- Power and energy
  - Telecommunications
  - Transport
  - EBRD funding limits and the use of co-financing
  - Terms of financing
  - Currency
  - Environment and procurement
  - Support for private sector participation
  - Case studies
- 23 Sources of infrastructure financing in the Middle East  
*Declan Hegarty, HSBC*  
Alternative liquidity pools  
Export credits  
Capital markets  
Multi-tranching  
Conclusion
- 24 The role of export credit agencies in infrastructure financing  
*Piers Constable, Deutsche Bank AG, London Branch*  
What is an export credit agency?  
The consensus—friend or foe  
Adapt or die  
The changing role of the ECAs  
The future?

## **Part VI: Industry perspectives**

- 25 Financing health care facilities  
*Michael Cox, Royal Bank of Scotland Plc*  
Introduction  
Overview of the UK health care market  
History of health care financing  
Care homes  
Hospitals  
Funeral homes and crematoria  
Private finance initiative  
Recent trends in financing private-sector health care facilities  
Continental European activity  
Public-private partnership financing  
Future trends for financing health care facilities in the United Kingdom
- 26 Regional applications and issues in transportation projects  
*Pamela Bailey-Campbell, Yuval Cohen, Ph.D., George Currie, Alasdair Macphail, Benjamin Perez and Robert Vitale, Parsons Brinckerhoff*  
Introduction  
Regional context: North America/United States

- The Oregon programme
  - The Texas programme
  - Asset sales
  - Regional context: Latin America
  - Regional context: Australia
  - Regional context: Europe
  - Case studies
  - Conclusion
- 27 Grand Slam! The St. Louis Cardinals' new stadium—a case study in financing entertainment facilities as a catalyst for urban redevelopment  
*Cynthia A. Baker, Chapman & Cutler LLP and J. Paul Forrester, Mayer Brown LLP*
- 28 Airport financing  
*Guenter Schroefel, HVB*  
Introduction  
Airports—characteristics of airports relevant to investors  
Airport financings in emerging markets  
Recent trends in financing structures  
Conclusion and outlook
- 29 Airport privatisation and financing options on three continents—experiences in Peru, Hungary and India  
*Frank Thiesen, Ingenieubuero Dipl. -Ing. H. Voessing GmbH*  
Introduction  
Experiences on three continents  
Peru: Jorge Chavez international airport, Lima  
India: Delhi and Mumbai international airports  
Hungary: Budapest Ferihegy international airport  
Conclusion  
Outlook

## **Part VII: Credit rating of infrastructure projects**

- 30 The progress of credit quality in PPPs  
*Michael Wilkins and Jonathan Manley, Standard & Poor's*  
A background in PPPs  
PPP throughout Europe  
Trends following 10 years of PPPs  
Continued stability and few defaults  
Operating variables provide support  
Construction remains a key risk  
Financial structures restrain credit quality  
The changing risk profile of PPP projects  
Case study 1: The Coventry & Rugby Hospital Co. plc  
Case study 2: Education Support (Enfield) Ltd.

- 31           The amazing growth of global infrastructure funds: too good to be true  
*Michael Wilkins, Standard & Poor's*  
The attraction of infrastructure: strong and stable yields  
A wave of new funds fuels demand  
Private equity involvement raises important issues  
Not all roads are paved with gold
- 32           Project finance debt risk analysis  
*Peter Rigby, Standard & Poor's*  
Project finance defined  
What project ratings mean  
Framework for project finance risk analysis  
Project-level risks  
Contractual foundation  
Technology, construction and operations  
Competitive market exposure  
Legal structure  
Counterparty exposure  
Financial strength  
Transfer and convertibility risk  
Institutional risk  
*Force majeure* risk  
Credit enhancement  
Outlook for project finance  
Ten-year analysis of why projects fail  
Annex
- 33           Power industry credit outlook  
*Dan Aschebach and Thomas Paolicelli, Moody's Public Finance Group*  
Factors likely to maintain or improve credit quality  
Factors likely to cause credit pressure  
Public power sector overview  
Public power subsectors have stable credit outlook  
Joint power agencies  
Large city-owned electric utilities  
State or district owned public power utilities  
Municipal electricity distributors  
Volatility in commodity prices is major risk, but public power has a strong record thus far in raising rates for timely cost recovery  
Unsettled regional energy market structure continues to evolve and present uncertainty  
Resource adequacy: challenges as public power utilities begin to make long-term decisions  
Conclusion: focused risk management programmes remain important to continued stability in the public power sector
- 34           Airport sector credit outlook

*Bart Oosterveld and Kurt Kruppenacker, Moody's Public Finance Group*

Summary opinion

Moody's airport sector outlook remains stable—airport ratings and trends

Slowdown in passenger growth expected to continue in 2007

Airline industry: a year of profitability precedes many potential changes

Construction costs, capacity needs continue to affect capital planning

- 35 Toll road privatisation trends in the United States: an assessment of the credit benefits and risks  
*Maria Matesanz and Joshua Schaff, Moody's Public Finance Group*

Summary opinion

Development of toll roads in the United States

Why increased interest in privatisation now?

Moody's has broad coverage of the toll road sector

Privatisation models in the United States

Credit benefits and risks of privatisation for governments and government-owned toll roads

What's next?

- 36 Rating methodology for state and local government owned toll facilities in the United States  
*Maria Matesanz and Joshua Schaff, Moody's Public Finance Group*

Overview of US state and local government owned toll facility ratings

Rating methodology: key rating drivers for US toll facilities include quantitative and qualitative factors

Market position

Governance and management

Financial position and performance

Debt and capital plan

Covenants and legal framework

Annex A

Annex B