<table>
<thead>
<tr>
<th>Index</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Abandonment, 134</td>
<td>performance, 80, 114</td>
</tr>
<tr>
<td>Account bank, 14</td>
<td>retention money, 80</td>
</tr>
<tr>
<td>Additional indebtedness, 120</td>
<td>Borrower, 12, 86</td>
</tr>
<tr>
<td>Advance payment guarantees, 114</td>
<td>Breach of credit support, 135</td>
</tr>
<tr>
<td>Advanced loss of revenue insurance, 78</td>
<td>Bretton Woods Conference, 25</td>
</tr>
<tr>
<td>Advisers, 87</td>
<td>Building materials, 53</td>
</tr>
<tr>
<td>African Development Bank, 28</td>
<td>Business risk, 123</td>
</tr>
<tr>
<td>American International Underwriters, 22</td>
<td>Capital costs, 94–5</td>
</tr>
<tr>
<td>Anderson, Geoff, 140</td>
<td>Capital expenditure, 131</td>
</tr>
<tr>
<td>Applicable laws and jurisdiction, 59</td>
<td>Capitalization, 111</td>
</tr>
<tr>
<td>Arab Fund for Economic and Social Development, 28</td>
<td>Cash deficiency agreement, 116</td>
</tr>
<tr>
<td>Arranger, 13–14</td>
<td>Cash deficiency guarantee, 72</td>
</tr>
<tr>
<td>Asian Development Bank, 28–9</td>
<td>Cash flow, 95–7</td>
</tr>
<tr>
<td>Authority letter, 86</td>
<td>Cash flow forecasts, 1</td>
</tr>
<tr>
<td>Bankruptcy, 134</td>
<td>Citicorp International Trade Indemnity, Inc., 22</td>
</tr>
<tr>
<td>Banks see individual types</td>
<td>Claw-back guarantee, 72</td>
</tr>
<tr>
<td>Bid (tender) bonds, 80, 114</td>
<td>Collateral, 6, 86, 109</td>
</tr>
<tr>
<td>Bonds, 40–1, 80</td>
<td>Commercial banks, 9</td>
</tr>
<tr>
<td>bid (tender), 80, 114</td>
<td>Commercial insurance, 22, 24</td>
</tr>
<tr>
<td>contractors, 114–15</td>
<td>Commitment, 87</td>
</tr>
<tr>
<td>maintenance, 114–15</td>
<td>Compagnie Française d’Assurances Commerciale Exterieure, 21–2, 23</td>
</tr>
<tr>
<td>payment, 80</td>
<td>Companies Act (1985), 84</td>
</tr>
<tr>
<td>Compensation account, 132–3</td>
<td></td>
</tr>
</tbody>
</table>
Economic information, 90
Economic risks, 156–62
Eksportkreditraadet (Denmark), 23
Energy sector, 2
Enforceability of contracts, 60
Engineering and construction phase risks, 51–3
Entity risks, 45–50
construction lender, 46
contractor, 47
equity investor, 49
host government, 48–9
multilateral and bilateral agencies, 49–50
off-taker/purchaser, 48
operator, 47–8
other governments, 49
permanent lender, 46–7
sponsor, 45–6
supplier, 48
Environmental compliance, 129
Environmental legislation, 93
Environmental review, 136
Environmental risk, 60–1
EPC contract, 10, 18
Equity, 32–3, 86
Equity contributions, 109
Equity investors, 15–18
risk analysis, 49
European Bank for Reconstruction and Development, 24–5, 29
European Investment Bank, 29
European Union, 29
Evaluation of project, 81–111
credit risk appraisal, 108–11
information memoranda, 83–107
offering memorandum, 81–3
Events of default, 120, 126–7, 133–5
Exchange rate fluctuations, 78
Export credit agencies, 19–24, 40
Export Credit Insurance Company (Spain), 24
Export Credits Guarantee Department, 20–1, 24
Export Development Corporation of Canada, 22, 23
Export Finance and Insurance Corporation (Australia), 23
Export financing, 78
Export-Import Bank of Japan, 20, 23
Export-Import Bank of Korea, 23
Expropriation, 134

Facility agent, 14
Facility site, 53
Feasibility studies, 50–1
Fees, 6–7, 87
Final acceptance date, 134
Financial adviser, 12–13
Financial covenants, 126
Financial flexibility, 111
Financial intermediary loans, 40
Financial ratio analysis, 97–101
Financial reporting, 130
Financial risks, 56–7, 110
mitigation and management, 68
Financial Services Act (1986), 84, 85
Financial tests, 130
Financing decisions, 122
Financing sources, 32–44
Financing terms, 5
Finnish Export Credit Limited, 23
Fixed costs, 95
Fixed price lump sum contract, 64
Force majeure, 62
Foreign exchange risk, 56, 93–4
Forward contracts, 68
Futures contracts, 68

Garanti instituttet for Eksportkreditt (Norway), 23
Global syndicated loans, 38, 39
Government approvals, 134
Government assurances, 73
Grace periods, 121
Guarantee Program, 39–40
Guarantees, 71–3

Highways, 3
Hong Kong Interbank Offered Rate, 87
Host governments, 30, 90–1
  risk analysis, 48–9
  as sources of finance, 43–4
Housing development cash flow
  sensitivity analysis, 104–7

Illegality clause, 119
Implied guarantees, 72
Indebtedness, 129
Independent engineers, 92
Indirect guarantees, 72
Inflation risk, 57, 111
Information memoranda, 87–107
  legislation applying to, 83–7
Institutional lenders, 42
Instituto Centrale per il Credito a
  Medio Termine (Italy), 23
Insurance, 7, 77–80, 121, 129
  commercial, 22, 24
  performance and payment bonds, 80
  problem areas, 79–80
  reinsurance, 80
  role of, 77
  scope of cover, 79
  types of, 77–8
Insurance bank, 14
Insurers, 31–2
Inter-American Development
  Bank, 30
Intercompany loans, restrictions
  on, 121
Intercreditor agreement, 136–7
Interest clause, 119
Interest rate, 6–7, 87
Interest rate equalization, 40

Interest rate risk, 56–7, 111
International Finance Corporation, 27
Investment appraisal, 94
Investment decisions, 123
Investment funds, 42
Islamic Development Bank, 30
Joint venture agreements, 70, 113
Judgments, 134
Kreditanstalt für Wiederaufbau
  (Germany), 23
Lawyers, 15, 87
Leasing companies, 31, 42
Legal risks, 59–60
Lender liability risk, 62–4
Lenders, 13–14
  reporting requirements, 7
  risk, 6
  supervision required by, 7
Letters of comfort, 72, 116
Leveraged debt, 5
Limited guarantees, 71
Limited recourse project finance, 4
Limited rights to appeal, 59
Liquidated damages, 65
Liquidity ratios, 98–100
Liquidity risk, 57, 111
Lloyd’s of London, 22
Loan life cover ratio, 131–2
Loan Program, 39
Loans see various types
London Interbank Offered Rate, 87
Long term supply contracts, 65
Maintenance agreement, 116
Maintenance bonds, 114–15
Maintenance reserve account, 133
Management agreements, 116–17
Managers, 14
Margin protection clauses, 119
Marine advanced loss of revenue insurance, 78
Marine cargo insurance, 78
Market, 91–2
Mezzanine financing, 33–4
Milestone dates, 130
Mining industry, 3
Ministry of Economy Trade and Industry (Japan), 20
Moody’s issuer rating symbols, 153
Multilateral agencies, 24–30
risk analysis, 49–50
Multilateral Investment Guarantee Agency, 27–8
Negative pledge, 75, 120
Net present value, 94, 131–2
Non-financial covenants, 126
Non-recourse project financing, 3–4
Nordic Development Fund, 30
Nordic Investment Bank, 30
Norquist, Grover, 2, 140
Notice of events, 128
NPV see net present value
O&M contract, 10
Obligations, payment of, 134–5
Oesterreichische Kontrollbank AG, 23
Off balance sheet debt, 4–5
Off-take agreements, 10
Off-take contracts, 109
Off-take/sales risk, 48, 55
Offering memorandum, 81–3
Office National du Decroire (Belgium), 23
Oil industry, 2
OPEC Fund for International Development, 30
Operating budget, 130
Operating costs, 95
Operating and maintenance agreements, 115–16
Operating/performance risk, 54–5
Operation phase, 11
Operational risks, 54–6
mitigation and management, 65–7
Operator’s all risks insurance, 78
Operator’s loss of revenue coverage, 78
Operators risk analysis, 47–8
Options, 68
Organization for Economic Co-operation and Development, 22
Overseas Private Investment Corporation (USA), 24
Ownership, 134
Partnership agreements, 113
Payment bonds, 80
Performance bonds, 80, 114
Permanent lenders, risk analysis, 46–7
Permits and licensing, 59, 61, 93, 112, 135
Political risk, 57–9, 156
mitigation and management, 68–70
Political risk insurance, 69, 70
Porter’s Risk Assessment Matrix, 91
Pre-completion risk, 52
Pre-development agreements, 112–13
Private Finance Initiative, 145–50
Private market insurance, 69
Privatization, 139–45
Progress reports, 127–8
Project company, 11–12
Project finance advantages of, 4–6
Project finance (contd)
definition, 1–2
disadvantages of, 6–7
misconceptions, 7–8
parties to, 11–32
reasons for using, 3–8
uses of, 2–3
Project finance tables, 145, 146–9
Project finance transactions, 8–11
Project financing covenants, 127–31
Project life cover ratio, 131
Project loan/credit agreements,
118–37
basic terms, 119–20
conditions precedent to closing,
135–6
control accounts, 132–3
covenants, 121–7
events of default, 133–5
intercreditor agreement, 136–7
NPVs and cover ratios, 131–2
project finance credit agreements,
120–1
project financing covenants,
127–31
Project overview, 86
Project participants, 89
Project phases, 11
Project risks, 94
Public opposition, 61
Purchasers, 31
Quasi-equity, 33–4
Raw materials
access to, 92
risk, 55
Real estate, 135
Refinancing risk, 61
Regional development banks, 28–30
Regulatory agencies, 18–19
Regulatory risks, 61
Reinsurance, 80
Related facilities, 53
Repayment clause, 119
Repayment cover ratio, 132
Representation, 117–18, 119
breach of, 133–4
Reserve accounts, 121
Restrictive covenants, avoidance of, 5
Retention guarantees, 114
Retention money bonds, 80
Risk, 45–80, 152
totality of, 45–50
insurance, 77–80
mitigation and management,
64–73
security, 73–7
transaction risks, 50–64
Risk allocation, complexity of, 6
Risk assessment, transaction risks,
50–1
Risk diversification, 5
Risk periods, 51–6
engineering and construction
phase risks, 51–3
operational risks, 54–6
start-up risks, 54
Risk sharing, 5–6
Sales/off-take agreements, 115
Schedule, 90
Secured loans, 35
Security, 59, 73–7
formalities, 77
negative pledge, 75
reasons for, 74
security trusts, 75–6
specific tangible assets, 74–5
Security agreements, 137–8
Security documents, 130, 135, 137
Security trustee, 14
Security trusts, 75–6
Senior debt, 34–5
Sensitivity analysis, 101–4
  housing development cash flow, 104–7
Shareholder agreements, 113
Site and permitting risks, 53
Sovereign guarantees, 73
Special purpose vehicles, 5, 10
Specific tangible assets, 74–5, 137–8
Sponsor, 12, 43, 86, 88, 108
Sponsor guarantees, 87
Sponsor risk, 45–6, 52
Sponsor support agreements, 116
Standard & Poor's long term debt ratings, 154
Standard & Poor's short term commercial paper debt ratings, 155
Standard & Poor's sovereign rating profile, 162–5
Start-up risks, 54
Structural risk, 60
Subordinated loans, 33–4
Supplier financing, 43
Suppliers, 31
  risk analysis, 48
Supply contract, 10
Supply risk, 55
Supply-or-pay agreements, 115
Swaps, 68
Swedish International Development Authority, 24
Syndicated lending, 1
Syndicated loans, 36–8
Syndicates, 13

Take-and-pay contract, 66–7, 115
Take-or-pay contracts, 65–6, 115
Tax breaks, 5
Technical adviser, 15

Technical information, 89–90
Technical/engineering bank, 14
Technology/obsolescence risk, 56
Telecommunications, 3
Third party liability, 78
Throughput agreements, 67, 115–16
Transaction risks, 50–64
  country/political risks, 57–9
  environmental, regulatory and approval risks, 60–1
  financial risks, 56–7
  force majeure, 62
  legal risks, 59–60
  lender liability risk, 62–4
  preliminary risk assessment, 50–1
  refinancing risk, 61
  risk periods, 51–6
Trustee accounts, 131
Turnkey contract, 18, 64

Under investment, 123
Undertakings, 120
Unistat Assurance, 22
United States Export–Import Bank, 19–20, 24
Unlimited guarantees, 72
Unsecured loans, 34–5

Variable costs, 95
Vendor financing of equipment, 42

Warranties, 78, 117–18, 119
  breach of, 133–4
Working capital agreement, 116
World Bank, 25–7
  country categories, 166–74
  group financing sources, 38–40
  Partial Risk Guarantee Program, 40