

# Financing of investments and infrastructure projects

**MASTER'S DEGREE MBA IN INTERNATIONAL MANAGEMENT**

***UNIVERSIDAD INTERNACIONAL MENÉNDEZ PELAYO***

This document can be used as reference documentation of this subject for the application for recognition of credits in other study programmes. For its full effect, it should be stamped by UIMP Student's Office.



## GENERAL DATA

### Brief description

The course focuses on the financial aspects of infrastructure projects, industrial projects, etc., which are developed under the investment modality. In this case, project financing must take into account the fact that it is financing a business normally on the basis of the cash flow it generates. In addition, an analysis is made of what guarantees are necessary to attract financiers, both in terms of capital or equity and in terms of debt or borrowed funds.

This subject develops how Project Finance or project risk structures are being used internationally to finance and operate infrastructures by the private sector, and within them for PPP (Public-Private Partnership) projects, where the public and private sectors cooperate in developing and implementing the projects.

The need for both developed and developing countries to promote new infrastructure, coupled with the high cost of such infrastructure, has led to schemes that allow private companies to build, finance and implement projects that were previously in the hands of the public sector. We are referring to motorways, ports, airports, railways, electricity generation plants, water treatment, waste, etc.

The course will place special emphasis on projects that take place in emerging countries, where multilateral entities, bilateral financing through export credit agencies, bilateral development entities, and nowadays local banks, play a decisive role in financing. The global financial crisis means that these financial institutions must become more involved in financing such operations.

Spanish companies are very active in these projects, mostly infrastructure concessions, and it is not in vain that the top 10 global companies in this sector include the groups ACS, Abertis, Ferrovial, OHL, FCC and Acciona.

### Name

Financing of investments and infrastructure projects

### Code

102802

### Academic year

2024-25

### Degree

[MASTER'S DEGREE MBA IN INTERNATIONAL MANAGEMENT](#)

**ECTS Credits**

2

**Type**

MANDATORY

**Duration**

Cuatrimestral

**Language**

Spanish/English

# CONTENTS

## Contents

### Session 1: Investment transactions and their financing

- Why invest abroad?
- Importance of foreign direct investment
- Typology of FDI transactions
- Financing structure of a company: own funds, borrowed funds.
- Evolution of the investment activity of Spanish companies abroad.
- Infrastructure financing models
- Differences between project finance and corporate financing
- The general concept of PPPs. The BOT and BOO schemes.

### Session 2: Project Finance Transactions (I)

- Description.
- Main features and components.
- Objectives of participants: promoters, authorities and financial institutions.
- The role of financial advisers.

### Session 3: Project Finance Transactions (II)

- Due Diligence
- Risks in Project Finance transactions.
- Risk mitigation formulas
- Sources of equity and debt.
- Transactions in emerging versus developed countries.

### Session 4: Financial Model

- Concept of the financial model
- Types of financial models
- The base case
- Key financial ratios
- Sensitivity analysis
- Sources of capital and debt

### Session 5: Transactions in developed countries

- Case study: Transport Interchange at Avenida de América & 11; Madrid.
- Case study: Wind power project in Spain

### Session 6: Financing of investment transactions through bilateral institutions (I)

- Additionality of bilateral investment support
- Different products available
- Eligibility criteria:

- &#8226; Environmental and social impact and analysis
- &#8226; COFIDES: products and their application
- &#8226; ICO products and role
- &#8226; The FIEM for investments
- &#8226; CESCE's products and role

### **Session 7: Environmental and social criteria for project funding**

- &#8226; Classification of projects according to environmental and social aspects
- &#8226; The ESG concept as an enabler of finance
- &#8226; The taxonomy of the European Union.

### **Session 8: Financing of investment transactions through multilateral institutions**

- &#8226; Objective of Multilateral Entities in these transactions.
- &#8226; Main Institutions and their activity in Project Finance: World Bank, Regional Development Banks, etc.
- &#8226; Public versus private sector transactions
- &#8226; Main financial products and instruments
- &#8226; Role within the private sector: IFC products, MIGA, etc.
- &#8226; The role of multilateral entities in project finance transactions.
- &#8226; The possibilities of financing through local financial institutions: the case of India.

### **Session 9: International case studies (I)**

- &#8226; Combined cycle plant in Mexico Hermosillo
- &#8226; Peru case

### **Session 10: International case studies (II)**

- &#8226; Rice husk plant in Thailand
- &#8226; Desalination Case in Algeria

### **Session 11: International case studies (IV)**

- &#8226; Case study: Transantartic Chile Project
- &#8226; Case study: India wind project.

# COMPETENCES

## Conocimientos

CO4 - To understand the concepts, theories and instruments for analysing and developing business internationalisation plans.

CO5 - To understand the nature of problems in the organisation and therefore the application of suitable tools by developing analytical skills.

CO6 - To acquire the skills for professional document drafting and reporting in the field of international business.

CO11 - To learn to assess the risks for companies when dealing with complex international projects, as well as to know some essential aspects that determine the success or failure of projects.

CO13 - To learn to incorporate the concept of sustainability in business and institutional projects, identifying its specific areas of practical application.

CO14 - To learn to incorporate other SDG concepts, which are also relevant for international companies, in their projects, identifying their specific areas of practical application.

## Habilidades

S4 - To apply the appropriate procedure to achieving an international business objective.

S5 - To assess the relationship between enterprises and the institutional framework in which activities are carried out.

S6 - To manage digital platforms, technological, audiovisual and computer media to search for information and for effective communication of business projects.

S7 - To manage software and statistical programmes for data recording and analysis.

S8 - To analyse the results of market and competition research to propose strategic orientations and operational actions.

S9 - To manage a business internationalisation project and assume managerial responsibilities.

S11 - To assess the compatibility of the internationalisation project with the SDGs.

S12 - To integrate theoretical and practical knowledge in internationalised professional environments.

## **Competencias**

C4 - To lead the process of designing the international strategy.

C5 - To work in a team, prioritising the precision of the results and the soundness and originality of the proposals.

# LEARNING PLAN

## Training activities

Type of activity	Hours	% On site
TA1.- Master classes	11	100
TA2.- Practical classes	7	100
TA3.- Individual and group work	15	5
TA5.- Individual student work	17	0

## Teaching methods

The module will be based on the analysis and presentation of the different theoretical sections with face-to-face classes, supported by case studies. In this subject, they become an essential element for understanding this type of transaction.

Debate and interaction with the students will be sought at all times, with the aim of using the face-to-face classes to promote effective understanding of the knowledge imparted during the course. For this purpose, it is highly advisable for the student to have worked on the documentation before addressing each topic during the face-to-face classes.

## Learning outcomes

• To know the structures of Project Finance or project risk as formulas for financing and operating private sector infrastructures, and within them for PPP (Public-Private Partnership) projects, where the public and private sectors cooperate in developing and operating these.

• To identify the common elements to be taken into account when financing an industrial or infrastructure project, under the investment modality.

• To differentiate between the different financing structures applicable to investments depending on whether the transaction takes place in an emerging or developed country.

• To analyse the alternatives available for investment-related risk hedging, both for promoters and financing entities.

• To analyse projects taking place in emerging countries, where multilateral entities and export credit agencies play a decisive role in financing.

• To know the main Spanish companies most active in these projects, mostly infrastructure concessions (FCC, ACCIONA, ACS, Iberdrola, etc.).

• To develop the basic structure of the financial models that constitute the quantitative support of an investment project.



• Sources of funding available for both own and external funds: commercial banks, multilateral funding, bilateral funding, capital markets, etc.

# EVALUATION

## Evaluation system

The student's final grade will be determined on the basis of two concepts: the final exam and the student's participation.

1) The final exam will account for 75% of the final grade.

The assessment will take the form of a multiple-choice test of 30-40 questions with four possible answers and only one valid answer. The estimated duration will be a maximum of 45 minutes. The exam is scored out of 10. Correct answers will be awarded one point, blank answers will be awarded zero points, and incorrect answers will lead to a deduction of 0.33 points.

Most of the answers will be derived directly from the documentation provided during the course and/or from the explanations given in class by the lecturer. However, some may require a personal effort of reflection on the part of students and the application of their own judgement.

2) Students will carry out a practical case study which will account for 25% of the final grade.

3) The student's participation in class allows the lecturer to adjust the final grade by +/- 10%.

At their discretion, the lecturer may increase or decrease the final grade achieved by up to 10% according to the participation of each student, both quantitatively (number of interventions) and qualitatively (timeliness and quality of the interventions) during the teaching sessions. Likewise, this section will also assess the practical cases submitted by the students that have been proposed by the lecturer during the module period.

In the 2nd and subsequent sessions, 100% of the grade will depend exclusively on the exam, which may be a multiple-choice test and/or essay and/or oral exam, the format of which will be announced sufficiently in advance.

## **FACULTY**

### **Coordinator/s**

**Oliveira de Miguel, Eduardo**

*Ingeniero Agrónomo Universidad Politécnica y Master Dirección Financiera.*

*Consultor Financiación Internacional - Socio Director Albadia.*

### **Lecturers**

**García Gil, Justo**

*Ingeniero Superior de Telecomunicación.*

*Director.*

*CECO-ICEX.*

**Frutos Ibor, Rocío**

*Licenciada en Ciencias Económicas.*

*Vocal Asesora.*

*Instituto de Estudios Fiscales*

## **BIBLIOGRAPHY AND LINKS**

### **Bibliography**

&#8226; Peter K. Nevitt; Frank Fabozzi. PROJECT FINANCE, published by Euromoney  
&#8226; Richard Tinsley. ADVANCE PROJECT FINANCING, published by Euromoney.  
&#8226; Yescombe. PRINCIPLES OF PROJECT FINANCE, published by Academic Press  
&#8226; Andrew Fight. INTRODUCTION TO PROJECT FINANCE, published by Butterworth-Heinemann