

Course Memorandum

April 14, 2013

Course: Case Study—Public-Private Partnerships: Theory, Practice, and Cases

Course No. 5140489 Summer 2013

Instructor: Toshiro Nishizawa

Subject: Review of Discussion on Day 2 (April 13, 2013) and Assignment

Dear Students,

I feel that we had a very stimulating discussion on Day 2 thanks to your active participation. The following material is shared with you via e-mail from Miko and by posting on the student bulletin board.

Power point presentation titled “Financing” (April 13, 2013)

The discussion on Day 2 focused on the nature of “*limited-recourse finance*” or “*project finance*” (as opposed to “*corporate finance*”) as well as on the typical contractual structure of PPP projects. Difference in attitude of investors and lenders towards risk and return was also discussed. A question was asked on how we could lower the overall funding costs of a PPP project by changing the debt-to-equity ratio (“*gearing*” or “*leverage*”). We touched on cash flow model to show how various “*cover ratios*” are calculated. Actual cash flows are affected by various factors and most likely deviated from those calculated *ex ante* (before the event) with implications for risk and return profile *ex post* (after the event).

On Day 3 (April 15), we are going to discuss risks involved in PPPs as well as how to manage them, following a brief review of the key concepts we discussed on Day 2.

Please keep searching the website for an article or paper on PPPs which attracts your attention and is of your interest. You are required to submit a copy of the article or paper to me by Day 5 (April 22) at the latest (this is the first ASSIGNMENT for all the students in this course).

I look forward to seeing you on Day 3 (April 15) in Room Law 26 (NOT in Room Ad 3).

Best regards,

Toshiro Nishizawa