

2 Project Financing of Infrastructure

PROFESSIONAL PAPER

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Abstract

In a market economy, there are three financing models used for the construction, maintenance and exploitation of infrastructure: public financing, private financing and mixed financing. Among them the latter applies the project financing technique, where project debt incurred by loans is used to finance the project and expected project revenues to repay the debt. At the same time, project assets guarantee the debt repayment. Project financing is specific for capital-intensive sectors when investors do not have a sufficient creditworthiness to engage into traditional financing methods or are not ready to assume all the risks. This technique has a particularly important role in the construction or reconstruction of infrastructure facilities and systems. Relations between a project company and public authorities are defined by the concession agreement.

Keywords: infrastructure, public-private partnership, project financing, concession

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