



## Lenders vs. Investors

- **Lenders:** often bankers, make loans, do not want to bear risks, expect repayment over specific period of time, do not enjoy benefits of a project
  - **Investors:** provide equity to a project, expect a higher return than lenders, benefit from a project's profits, take more risks - but not risk-takers, play a role in project management
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## Why Do Investors Invest?

- Produce income. *In a particular pattern.*
  - Achieve capital growth. *With or without time constraints.*
  - Enter a market. *And thereby avoid start-up costs and market research.*
  - Sell a product. *Especially capital goods.*
  - Form a partnership. *And thereby grow quickly.*
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## Why Do Lenders Lend?

- To build relationships *with clients who will be a future source of business*
- Enter new business areas *to expand portfolio profitability and find a competitive advantage*
- Contribute to economic and social growth *thereby stimulating greater lending activity*

Note: that most banks separate project finance from corporate finance  
*save time and learn the interests of banks in advance*

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## What Do Lenders and Investors Look for in Projects?

- Strong entrepreneur and project team
  - Solid project fundamentals and plan
  - Risk assumption and mitigation
  - Clear legal and regulatory structure
  - Country stability
  - Financial viability
  - Exit mechanisms
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