

# BANKS SCRUTINISING THE FINANCIAL BENEFITS OF PROJECTS - CLIFFORD CHANCE

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**Alberto Manzanares**

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**The onset of the banking crisis in 2007 has prompted a reduction in both the number of project finance deals, the scale of those going ahead, and a much more objective calculation of benefits by lenders**

"A significant proportion of deals are started and never finished, or those that are proceeding are doing so much more slowly. There is now a much deeper financial analysis." says says Alberto Manzanares, partner with Clifford Chance in Madrid.

The Government and regional administration are being much slower in progressing plans while the

banks are much more risk averse, he says.

"In part this is because there are fewer finance players in the market – some banks have simply disappeared over the past three years. But in any event, the longer periods required to ready schemes for tender, or to finalise bid terms, is also making lenders much less reluctant to commit."

What may have previously taken five months to complete now takes a year. This is a time frame in which there are now too many variables, he says. The emergent sovereign debt issues now surrounding Spain and Portugal, as well as concerns over the euro, have demonstrated how much can change in only a short time.

"There is still a demand among banks to do deals but inevitably on their terms."

Manzanares is among those who believe however, that the boom years of large scale infrastructure projects might have already been over in Spain and Portugal even without the onset of the global downturn.

"Even without the crisis, the reduction in deals would have happened anyway. What else is there to build? Not every city can have an AVE connection, or an airport," he says.

The project markets will nonetheless continue albeit the trend is now towards smaller projects, and what financial players remain in the market are much less hungry particularly when it comes to infrastructure projects.

"Deals are not being done at any cost. Banks are taking a much more calculated look at the technical viability and risk associated with projects – which again brings the viability of finance into question."