Why do we need financial modelling?

- It helps build an informed business case.
- To evaluate viability and compare similar projects.
- To set up the interest rate for the fund.
- Ensure financial viability/bankability check assumptions.
- It is a tool for decision making. It helps assess the viability of a project.
- For preparation of financing plan in project financing.
- To enable know feasibility of the project.
- To test IRR and NPV for project viability.
- To ensure that the project has an acceptable return.
Why do we need financial modelling?

- To get the estimate of pricing for the project
- To predict future costs and expenses
- An institution, i.e., a bank, needs financial modelling in order to estimate the valuation of the business and also to compare with other institutions in the same industry.
- To understand/quantify risks and opportunities
- We need to know the profitability of a project and duration of when you can break even including conducting sensitivity analysis
- To be able to compare various sources of fund and make decisions
- To understand the potential costs and revenue aspects
- To ensure responsible lending through thorough analysis of financial statements
- To ensure that the bank assets are growing
Why do we need financial modelling?

- To aid decision making about a project

Because project finance is non-recourse, financial modelling becomes fundamental to determine project financial viability. Financial modelling is more about forecasting the cashflows and costs associated to the project.

The Southern Africa Climate Finance Partnership