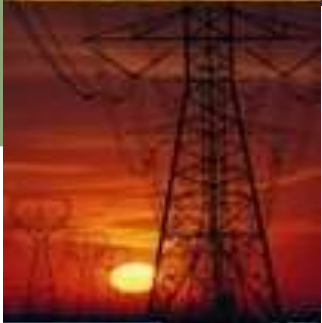




**International
Finance Corporation**
World Bank Group



XX CONGRESO LATINOAMERICANO DE PUERTOS

Funding Schemes & Sources for Port Development

Lima, Peru June 22-24, 2011

Katherine Downs
Principal Investment Officer
International Finance Corporation

IFC is a Member of the World Bank Group

IBRD
International Bank
for Reconstruction
and Development

Est. 1945

Role: To promote institutional, legal and regulatory reform

Clients: Governments of member countries with per capita income between \$1,025 and \$6,055.

Products:

- Technical assistance
- Loans
- Policy Advice

IDA
International
Development
Association

Est. 1960

To promote institutional, legal and regulatory reform

Governments of poorest countries with per capita income of less than \$1,025

- Technical assistance
- Interest Free Loans
- Policy Advice

IFC
International
Finance
Corporation

Est. 1956

To promote private sector development

Private companies in 179 member countries

- Equity / Quasi-Equity
- Long-term Loans
- Risk Management
- Advisory Services

MIGA
Multilateral
Investment and
Guarantee Agency

Est. 1988

To reduce political investment risk

Foreign investors in member countries

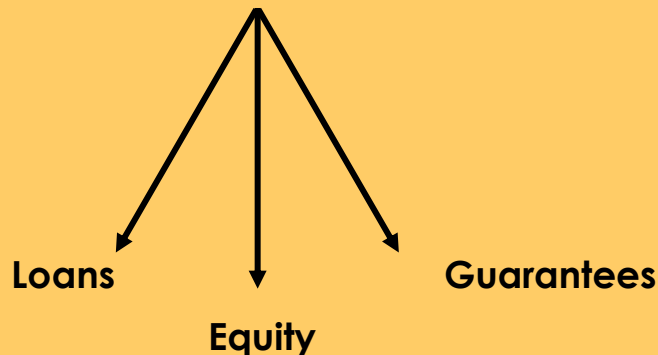
- Political Risk Insurance

← Shared Mission: To Promote Economic Development and Reduce Poverty →

IFC's Roles

Financing

IFC is the world's largest multilateral provider of financing for private enterprises with over US\$34 billion in outstanding investment commitments



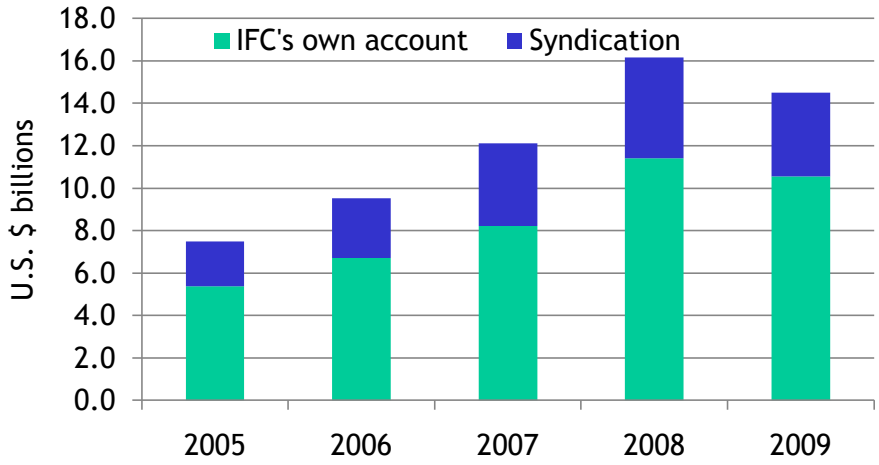
Advisory Services

IFC also provides technical assistance and advice to governments and businesses to promote private sector development & investment



IFC - over \$40 billion Invested in Emerging Markets since 2007

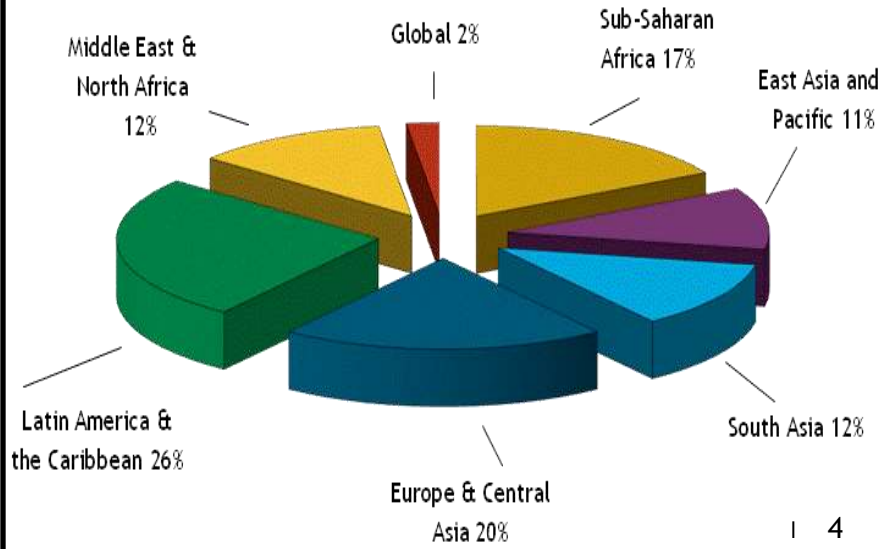
Total committed IFC financing (FY10): US\$12.7 bil.



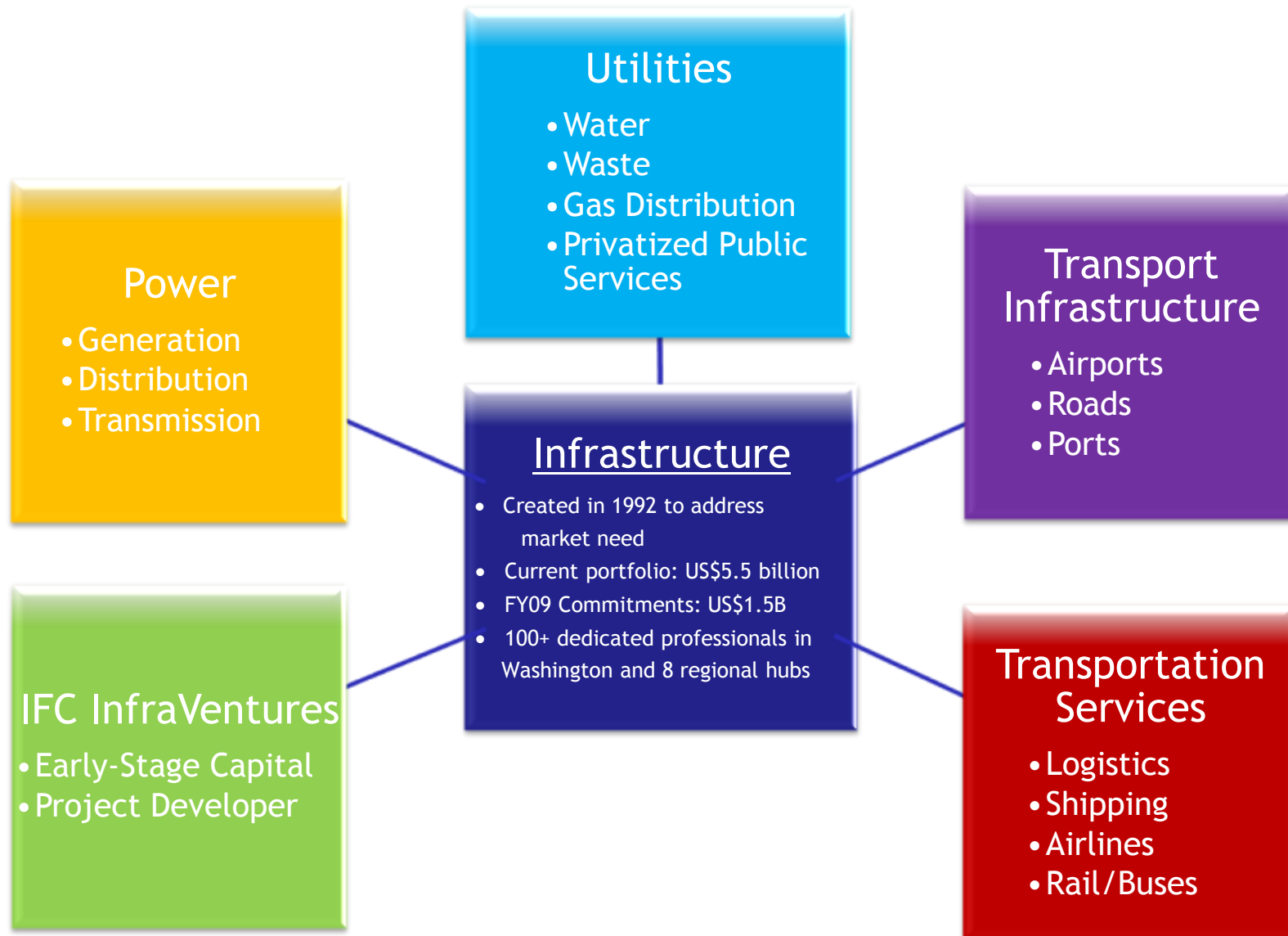
IFC FY10 Highlights

S&P, Moody's Portfolio Committed	AAA
Syndicated	\$38.9 billion
# of companies	\$12.7 billion
# of countries	\$5.4 billion
	528
	103

- Participates only in private sector or PPP ventures on a commercial basis
- Finance up to 25% of project cost from own account
- Provide Debt, Equity and Quasi-Equity
- Long-term Debt (typically 8 to 15 years for ports)
- Loans in all major currencies and several local currencies; variable or fixed interest rates
- Equity: typically 10-15% of project company equity

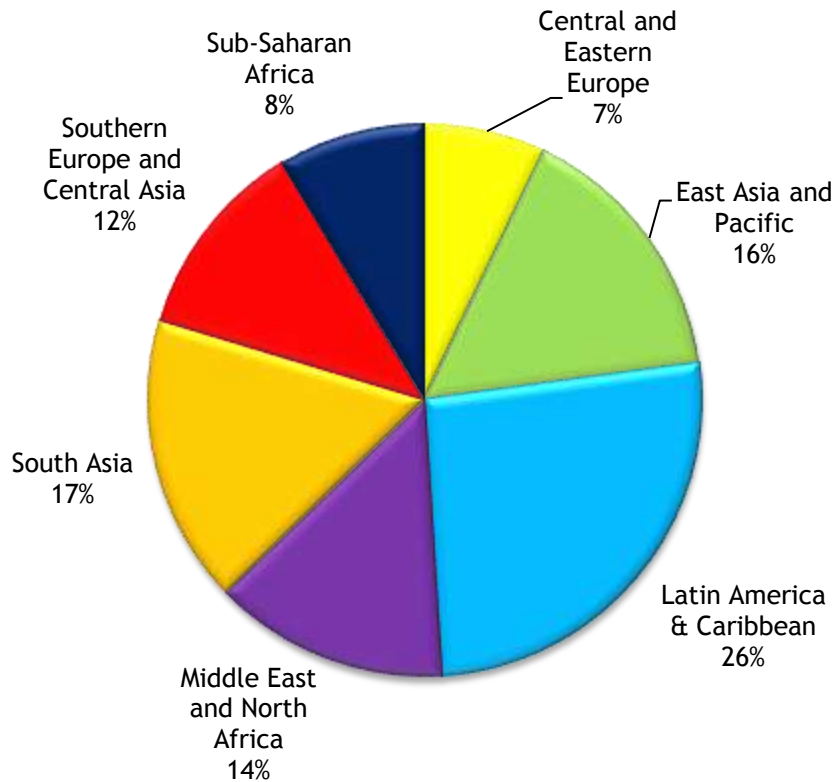


IFC Financing in Infrastructure

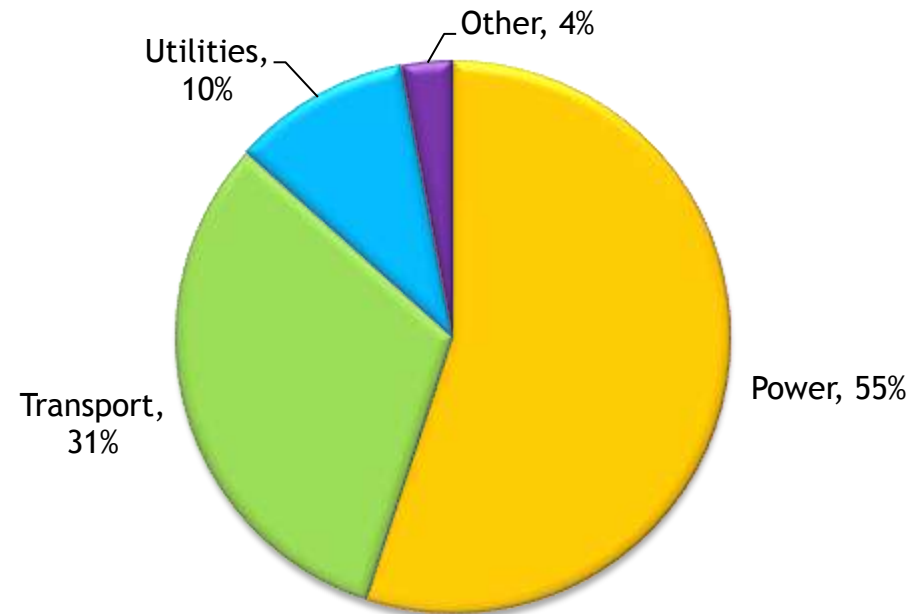


Total IFC Infrastructure Portfolio (August 2010)

By Region, in US\$ Billion



By Sector, in US\$ Billion



Total Committed Portfolio US\$6.3 Billion

IFC's Experience in Financing Ports

- IFC has financed about 38 ports globally in emerging markets, supporting project costs of about US\$3.2 billion with IFC's own investments of about US\$720 million.
- Breakdown (approx)
 - 19 Container Terminals - US\$323 million in IFC Loans
 - 11 Bulk Ports - US\$267 million in IFC Loans
 - 8 Mixed Use Ports - US\$130 million in IFC Loans
- What IFC Looks for in Port Projects:
 - Transparent concession award process
 - “Bankable” concession contract
 - Strong sponsors and professional management
 - Realistic market expectations and projections
 - Robust financing structure and projections
 - Government commitment

Benefits of IFC's involvement

- Political risk mitigation - but not insurance (MIGA does)
- Loans must meet commercial bank credit standards, but IFC will lend in higher risk countries
- Longer tenors than most commercial banks - 10-15 year terms
- Leader in environmental and social issues
- Ability to mobilize additional capital through “B loan” participations and IFC-affiliated funds. IFC B Loan participants get:
 - Protection against capital controls & convertibility
 - Exemption from local withholding taxes on debt service payments
 - May improve B loan banks reserve requirements

Key for Port Concession Contracts

- Tariff flexibility: tariffs should typically be:
 - either market driven and freely set by concessionaire, or
 - subject to a reasonable cap and frequency in tariff increases (beyond which port authority's approval would be required)
- Lenders' step-in-rights:
 - in case of default by concessionaire under the concession contract
 - enabling Lenders to nominate a substitute operator (subject to port authority's acceptance)
- Provisions enabling an appropriate security package for Lenders' debt financing, typically including, in favor of Lenders:
 - Mortgage on concessionaire's assets,
 - Pledge of shareholders' shares in concessionaire,
 - Assignment of termination compensation under concession,
 - Assignment of insurance proceeds, and
 - A 6-month debt service reserve account

Key for Port Concession Contracts

- Termination compensation: in case of early termination due to:
 - government default - termination compensation should typically be sufficient to cover:
 - ✓ Lenders' debt outstanding,
 - ✓ Shareholders' equity contributed, and
 - ✓ Return on equity to shareholders
 - concessionaire default - termination compensation should be sufficient to cover at least Lenders' debt outstanding
 - force majeure - termination compensation should typically be sufficient to cover:
 - ✓ Lenders' debt outstanding, and
 - ✓ Shareholders' equity contributed

Recent Developments

- New Sub-National Government Finance Group - Loan to Karachi Pakistan Port Authority's Container Terminal
- Expanding Port Loan Syndications (US\$ million)

TCBuen, Buenaventura, Colombia (Grup TCB) August 2010

\$ 25 IFC A Loan

\$135 Syndicated B Loans (West LB, Espiritu Santo, CIFI)

\$ 18 Mezzanine (Central Amer Mezz Infra Fund)

\$160 Total

BTP, Santos, Brazil (AMPT-MSC Joint Venture) March 2011

\$ 97 IFC A Loan

\$582 Syndicated B loans (Paribas, NorBank, FMO & Others)

\$908 Total

Sign of renewed interest by commercial banks but desire for B Loan protections??

IFC Bulk Port Projects (US\$ Million) through 2009

<u>Country</u>	<u>Project</u>	<u>Cost</u>	<u>IFC Net</u>	<u>Syndications</u>	<u>Type</u>
Argentina	Timbues Port	51.2	18.0	18.0	Grain
Argentina	Terminal 6	26.1	11.8	0.0	Grain
Bolivia	Central Aguirre	5.2	2.2	0.0	Grain
Chile	San Vicente	61.9	15.0	0.0	Wood Chips
Kenya	GBHL	32.0	10.0	0.0	Grain, Fertilizer
Mexico	TMA	20.4	5.1	10.4	Grain
Mexico	CLJ	24.0	6.0	7.5	Grain
Mexico	Mexplus-GOTM	7.2	4.7	0.0	Liquid
Venezuela	VRT	27.4	8.7	0.0	Bauxite
Vietnam	Baria Serece Port	10.0	3.0	2.0	Fertilizer
TOTAL		265.4	84.5	37.9	

IFC Mixed Use Port Projects (US\$ Million) - through 2009

<u>Country</u>	<u>Project</u>	<u>Cost</u>	<u>IFC Net</u>	<u>Syndications</u>
Argentina	TPA	50.3	12.0	13.5
Brazil	Sepetiba	139.6	33.0	18.0
China	Pacific Ports	77.0	5.0	0.0
China	Wuhan	17.1	5.0	5.0
Chile	San Antonio	178.2	38.7	65.0
Dominican Republic	Sans Souci	39.2	21.0	0.0
Mexico	Punta Langosta	19.6	5.0	7.0
Turkey	Kusadasi	29.3	10.0	8.0
TOTAL		550.3	129.7	116.5

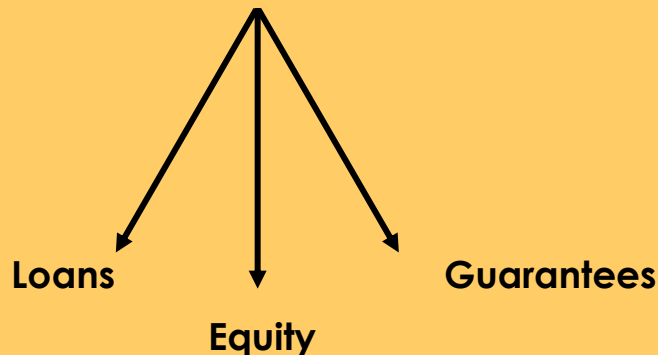
IFC Container Port Projects (US\$ Million) through 2009

<u>Country</u>	<u>Project</u>	<u>Cost</u>	<u>IFC Net</u>	<u>Syndications</u>
Argentina	TRP	98.5	35.0	10.0
Brazil	Tecon Rio Grande	69.5	13.0	18.0
Brazil	Tecon Salvador	16.3	4.5	5.0
Brazil	Suape ICT	51.4	6.0	0.0
Dominican Republic	Caucedo	277.3	30.0	0.0
Egypt	Sokhna Port	77.0	20.0	0.0
Mexico	SSA Mexico	127.3	45.0	0.0
Pakistan	PICT	87.5	13.5	0.0
Panama	MIT	162.4	15.0	0.0
Sri Lanka	SAGT	240.0	42.3	0.0
Turkey	Belde	114.8	25.0	0.0
TOTAL		1,322.0	249.3	23.0

IFC's Roles

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Advisory Services

IFC also provides technical assistance and advice to governments and businesses to promote private sector development & investment



IFC PPP Advisory - What We Do

- Lead advisor to national and local governments

- **Strategy definition** for private sector participation / PPPs
- **Institutional reforms** - Work with World Bank & other multilaterals on sector policy & regulatory reforms when necessary
- **Transaction due diligence** - Market, technical, legal
- **Prepare tender documents** - Info Memo, concession contracts, etc
- **Market transaction** to operators & industry investors/financiers
- **Manage bid** - Transparent international competitive procedures

- Fee based services

- **Retainer** - Paid by client according to milestones. Covers only IFC costs.
- **Success Fee** - Largest portion of compensation. Paid at closing of transaction by client or winning bidder.

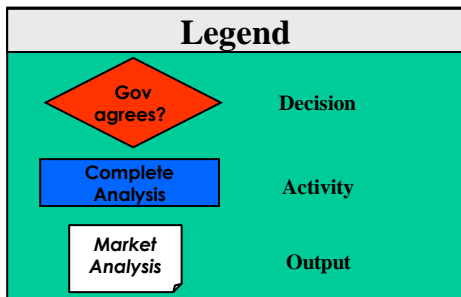
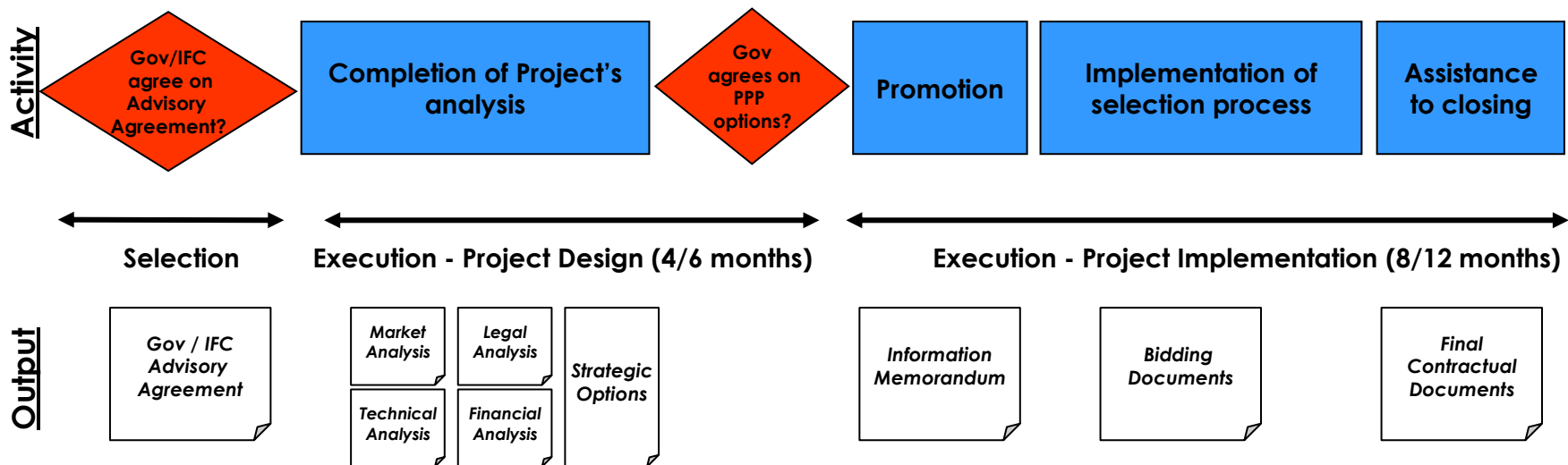
- Mobilize trust fund grants to pay external consultants

IFC PPP Advisory - What We Do

More than **180** advisory assignments in **60 countries** since 1986

- Focus on pioneering transactions, frontier markets
 - First, difficult, political, reform-based, innovative
 - Often hired after a prior failed bid
- PPPs in all infrastructure and social infrastructure sectors
 - Physical Infrastructure: ports, airports & roads, water & sanitation, power, telecom, natural resources
 - Social Infrastructure: health (hospitals, clinics, specialised services) and education
- Focus on broader social goals - not just highest bid
 - Increased access to & quality of public services
 - Environment & social sustainability. Stakeholder consultation.

Typical Development Process of PPP Advisory Projects



Transaction Time Line

- Typically 12-18 months - Longer if major regulatory reforms needed
- Transactions have closed in fewer than 9 months

IFC Port Advisory Transactions Closed

- **2009: Cotonou Port, Benin**

- Advised Government on institutional framework and concession to private operator for new 500,0000 teu container terminal. 25-year concession awarded to Bollere Group of France.

- **2003: Toamasina Port, Madagascar**

- Advised Government on structure and tender of concession to rehabilite & expand the island country's only container terminal. 20-year concession awarded to ITCSI.

- **2001: Suape Port, Brazil**

- Advised Government on concession of container & general cargo port to service new industrial development zone. 30-year concession awarded to ITCSI.

Active IFC Port Advisory Transactions

- **2010: Port of La Union, El Salvador**
 - Advising Government on structuring and tender of concession for newly constructed 500,000 teu container terminal for Central American regional cargo.
- **2010: Haiti** -Options study for post-earthquake redevelopment of Haiti's ports
- **2010: Niger Dry Port**
 - Concession of inland logistics center for cargo from ports of Benin & Nigeria.
- **2009: Vizhinjam Port, Kerala, India**
 - Advising Government of Kerala State on development of greenfield deepwater port (container & multi-purpose) for domestic cargo and transshipment.
- **2008: Port Louis Harbor, Mauritius**
 - Advising on sale of stake in state port company (container and multi-purpose)

Muchas Gracias !

