



IFC AFRICA

INFRASTRUCTURE FINANCING FOR PORT DEVELOPMENT



IFC

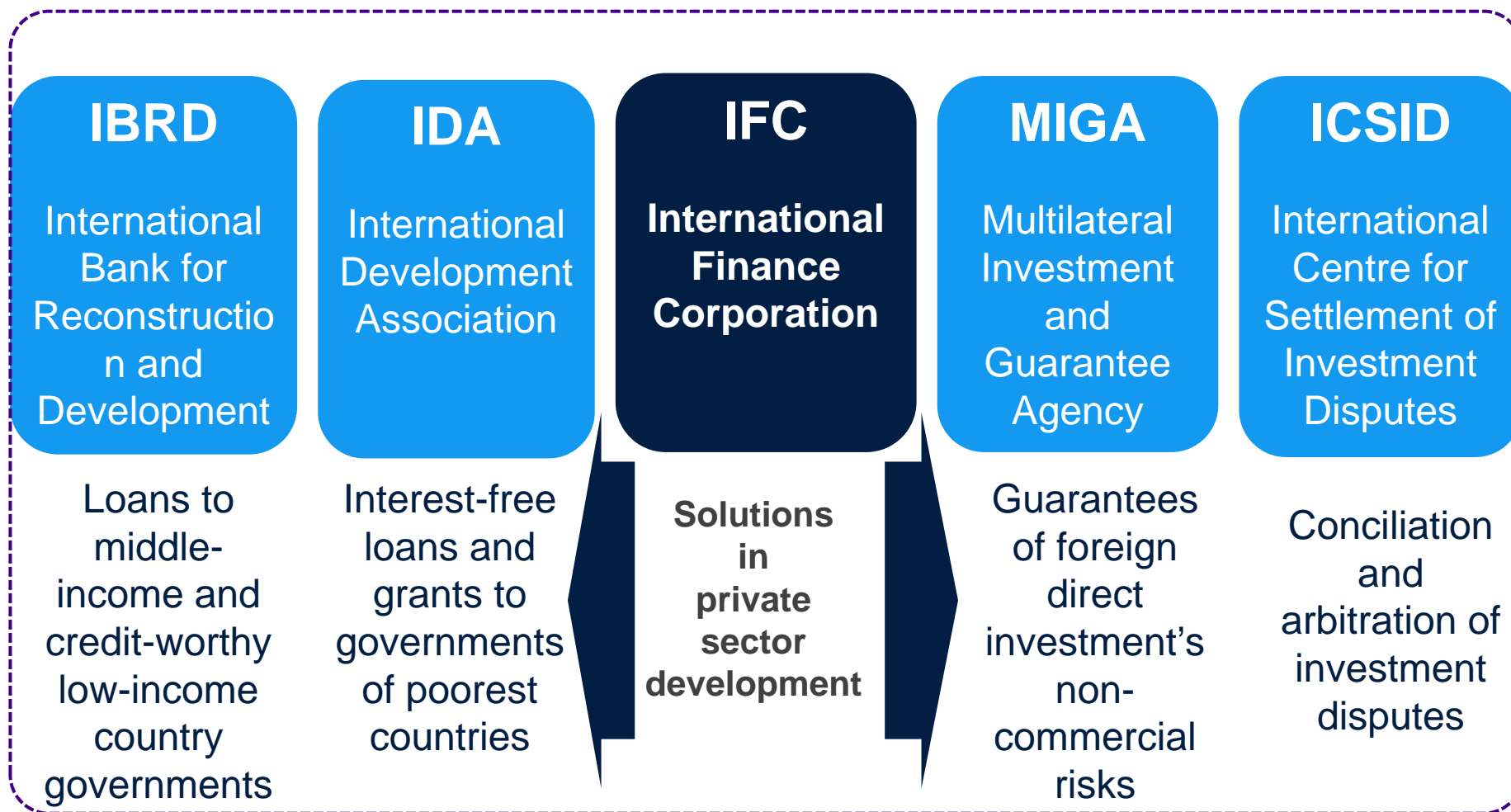
**International
Finance Corporation**
WORLD BANK GROUP

Linda Munyengerwa
October 23, 2014



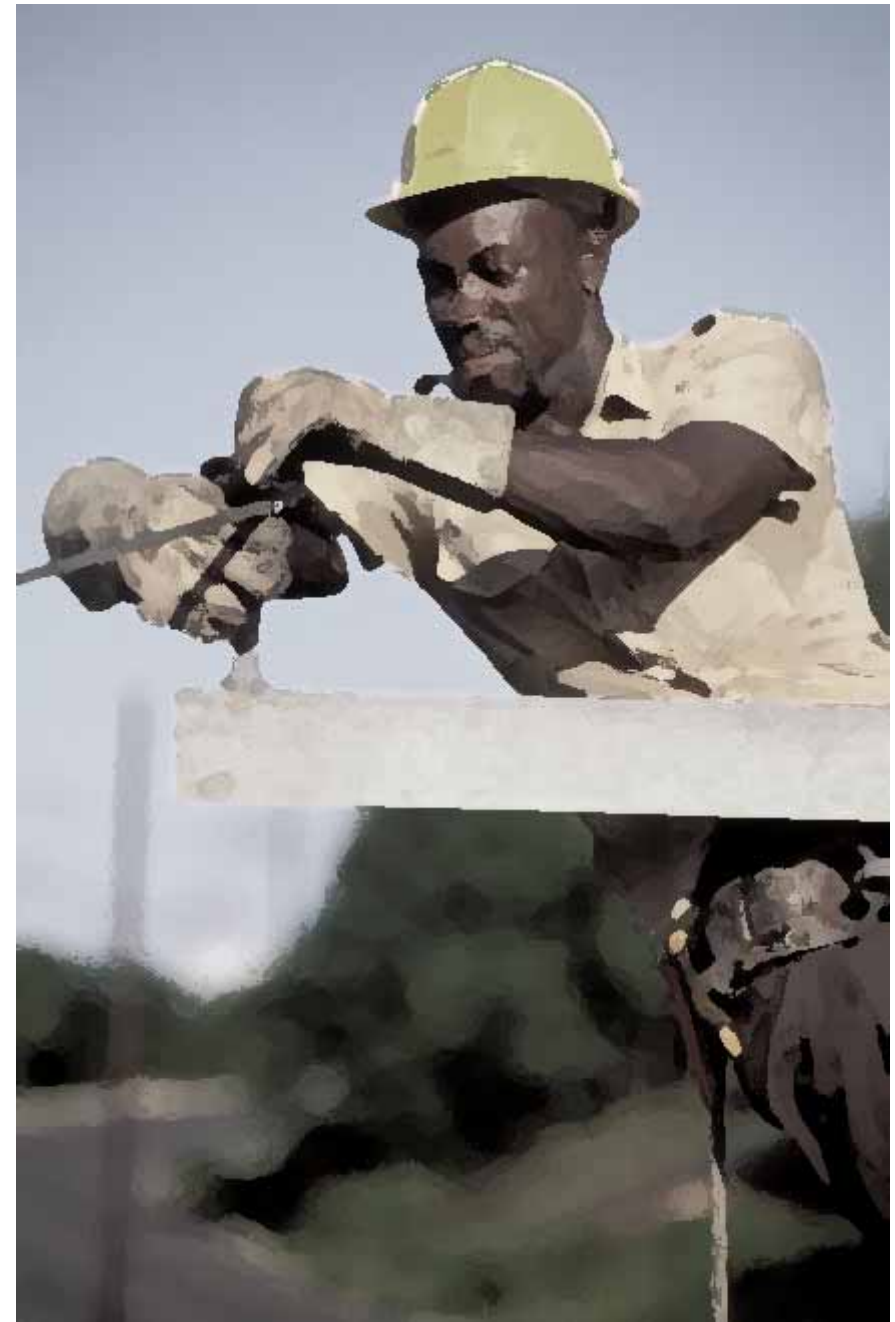
IFC – About Us

IFC: A MEMBER OF THE WORLD BANK GROUP



IFC'S PURPOSE

- Promote open and competitive markets in developing countries
- Generate jobs and deliver essential services to the underserved
- Support private sector companies
- Catalyze and mobilize finance for private sector development



VALUE & OPPORTUNITY THROUGH THE PRIVATE SECTOR...

IFC STRENGTHS

- 50 years' experience as the largest multilateral source of diversified financing for the private sector in emerging markets
- Rated AAA by S&P and Moody's
- Profitable every year since inception
- \$50 billion diversified portfolio, representing investments in over 1,800 companies across more than 100 developing countries
- Global Impact: 200,000 jobs created, 1 million farmers, 11 million patients, 5.5 million power customers
- 800+ Financial Institutions leveraging reach around the world
- Leader in advising on Environmental & Social Standards

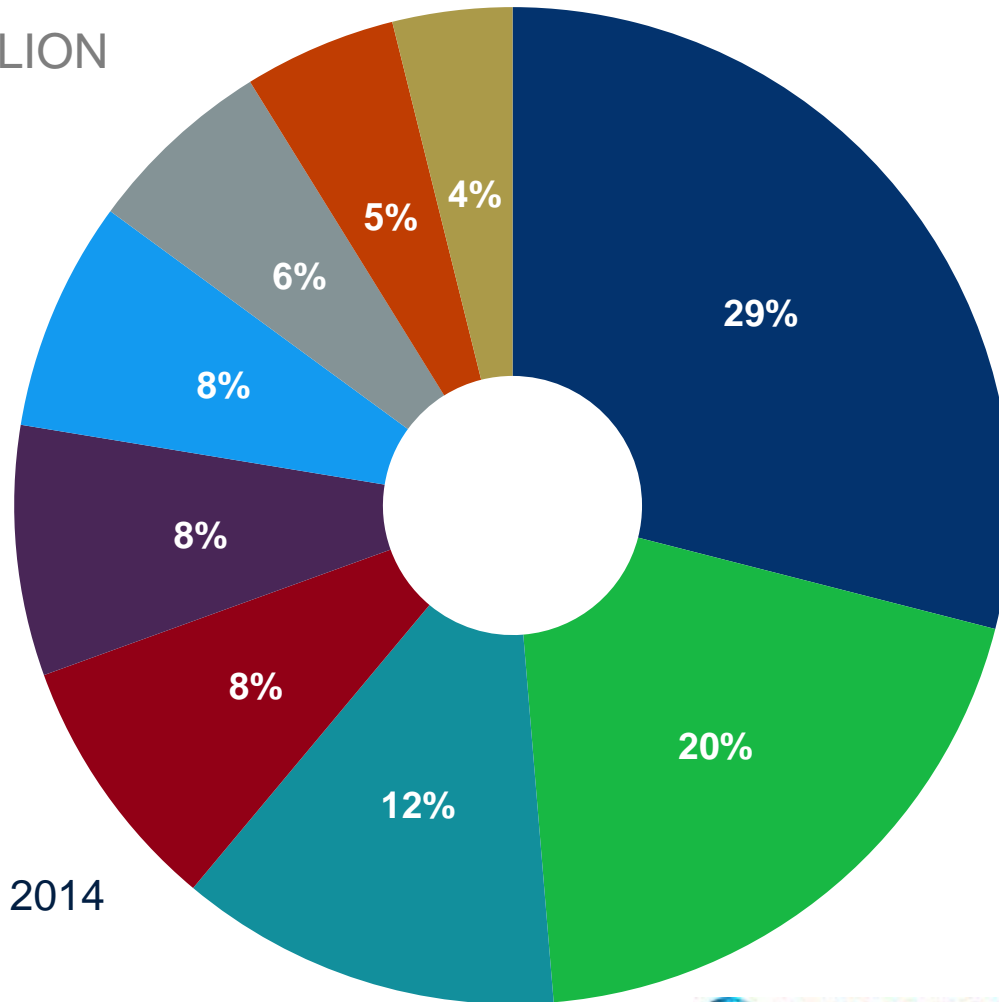
CLIENT BENEFITS

- Long debt maturities (7+ years)
- Grace periods (2-4 years) that are tailored to match project cash flow with loan payment requirement
- Equity investments
- Support to investors in markets with high political risk through IFC participation
- Experience and relationships across a variety of industries and sectors that can be leveraged to service diversified clients
- Complementary technical assistance through IFC's Advisory Services, such as SMEs Toolkit, Business Edge, linkages services, farmer training and warehouse finance training for banks

COMMITTED INVESTMENT PORTFOLIO BY INDUSTRY, FY14

TOTAL PORTFOLIO: \$51.7 BILLION

- Financial Markets
- **Infrastructure**
- Manufacturing
- Agribusiness & Forestry
- Consumer & Social Services
- Funds
- Trade Finance
- Oil, Gas, & Mining
- Telecom & IT



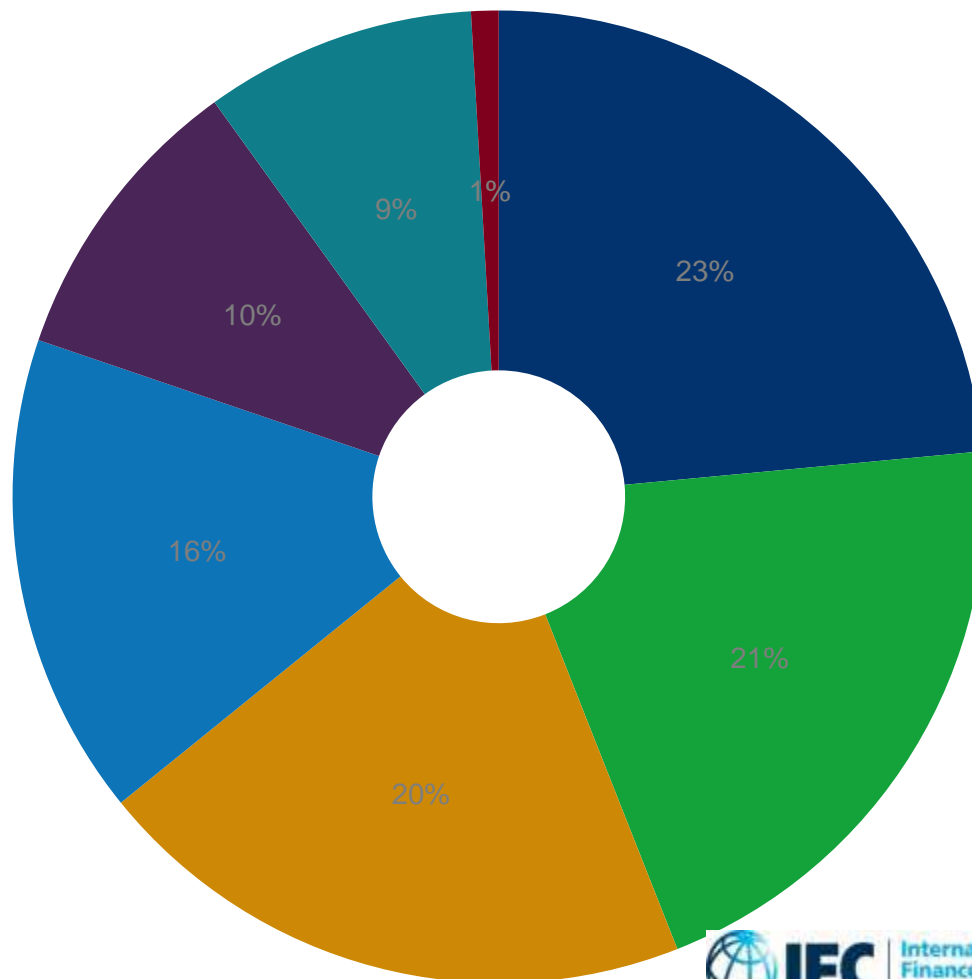
IFC's Own Account, as of June 30, 2014

AFRICA IS A PRIORITY FOR IFC

INVESTMENTS FOR IFC'S ACCOUNT: \$17.3 BILLION (FY14)

- Latin America & the Caribbean
- Europe & Central Asia
- Sub-Saharan Africa
- East Asia & the Pacific
- Middle East & North Africa
- South Asia
- Global

*Mobilised \$9.3 billion
Invested in 2110 companies in 147 countries*



IFC IN SUB-SAHARAN AFRICA



IFC's Global Reach

184 Member countries

108 regional offices in **98** countries worldwide

AAA credit rating

+3,800 staff (59% are based outside Washington DC)

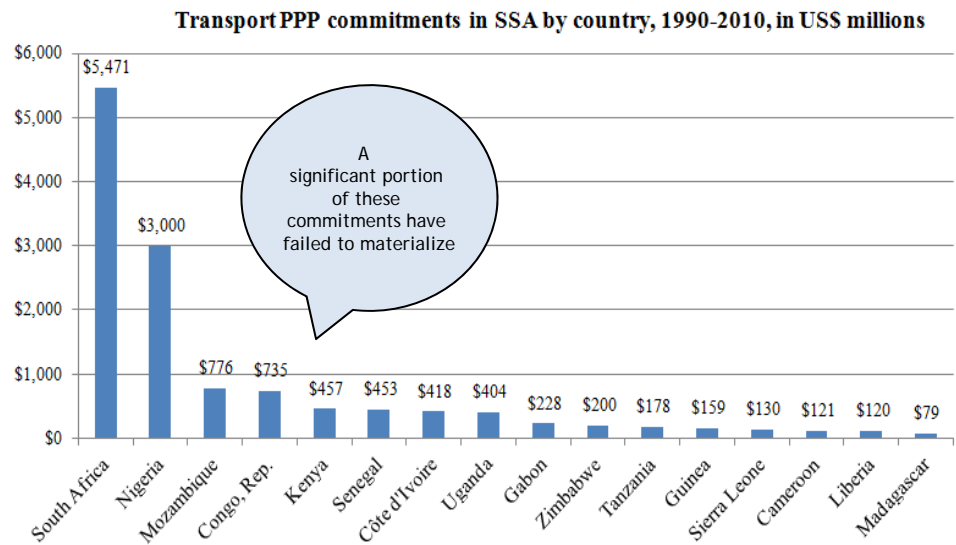


Transport and Logistics in Africa – Challenges and Our Experience

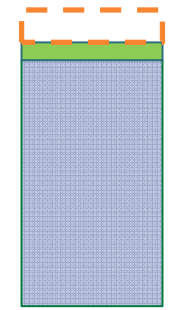
A PUBLICLY FUNDED SECTOR WHICH UNDER DELIVERS

There have been few transport PPPs in SSA

Public financing dominates transport spending



Source: World Bank and PPIAF, PPI Project Database.



Annual financing gap of \$2 billion:

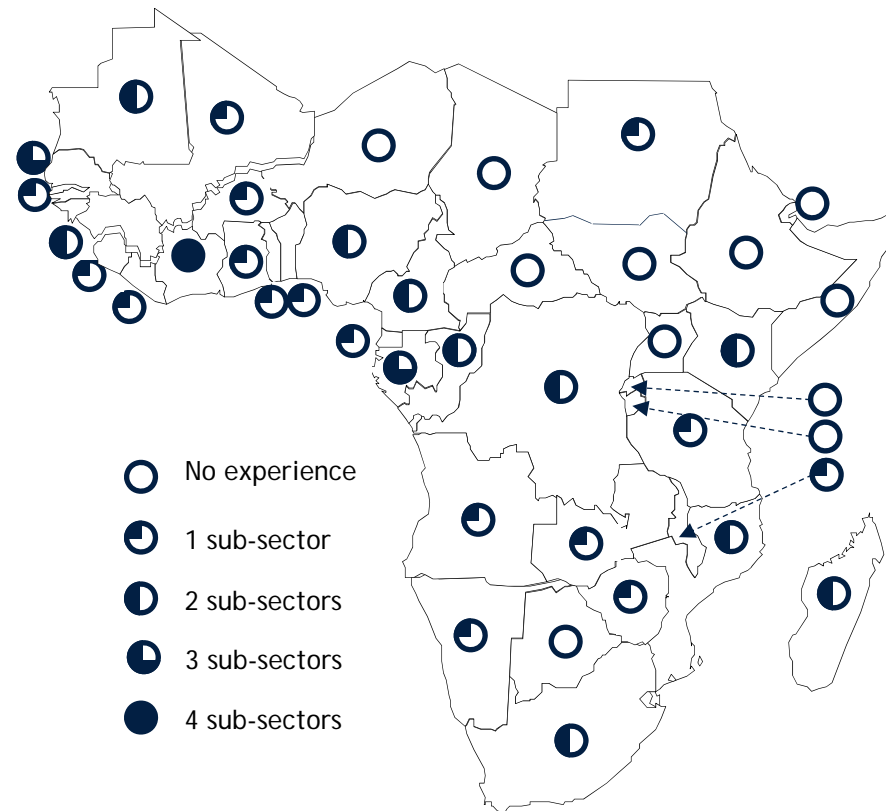
Of total spending needs (\$18.2 billion) approximately 83% are met through public and ODA financing and only 6% through private sector financing

- New infrastructure need fairly limited - only US\$1.1 billion/year out of a total of US\$18.1 billion
 - Nevertheless, decision makers often focus on new projects seen as prestige projects
- Key areas of under-funding are due to inefficiencies
 - Under-maintenance of existing assets, low budget execution, etc.
- **Transport PPPs in sub-Saharan Africa have on average represented 11% of PPPs in the region over the past two decades.**

DESPITE THERE BEING SIGNIFICANT NEEDS, PPP EXPERIENCE REMAINS LIMITED

- **\$18.2 billion infrastructure spending needs** annually in African transport and logistics sector
- 9 trans-Africa highways extending to 50,000 km of which 30% are unpaved and 50% are in poor condition
- **90 major ports, but handle only 6% of global traffic.** 6 ports in Egypt and South Africa handle 50% of this traffic.
- Rail density 16x lower than Europe, 13 countries without railways
- Global share in airline passenger traffic: 5.2%
- As African economies grow and urbanize, huge demand is materializing for connective intra-regional infrastructure, especially ports, roads, rail, airports and logistics

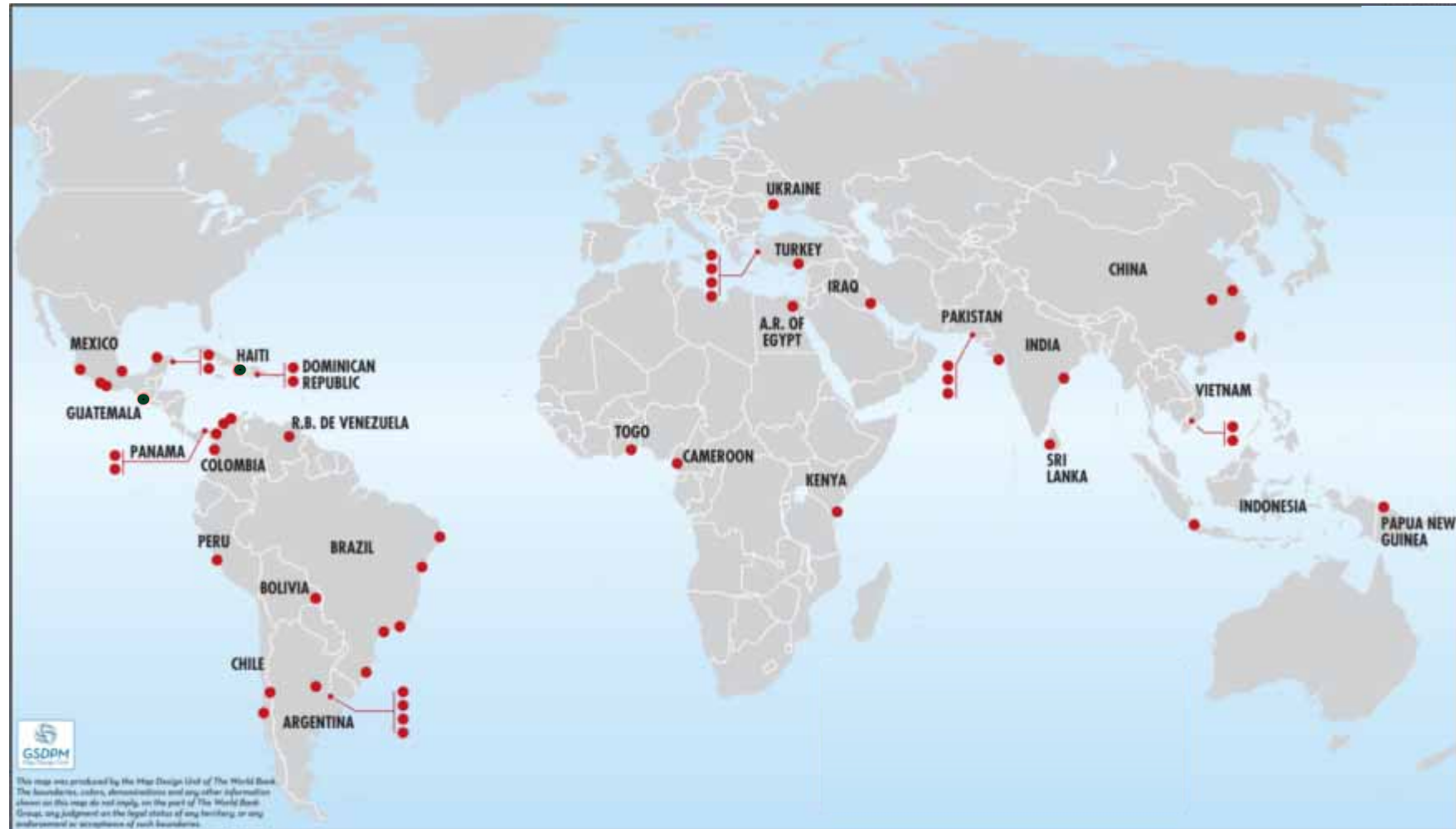
PPP Experience in Road, Rail, Ports and Airport sector by country





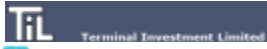
IFC Port Experience

IFC HAS FINANCED OVER 50 PORTS WORLDWIDE



IFC SAMPLE PROJECTS

Brazil



APM TERMINALS

\$97,000,000
Senior Loan
\$582,000,000
Syndicated Loan

BTP Santos- Project Finance

Arranger & Lender
March 2011


Togo




\$122,421,000
Senior Loan -Project Finance
Lome Container Terminal

Lender
June 2011


Pakistan



\$40,000,000
Senior Loan -Project Finance
Quasim International Container Terminal I & II

Lender
May 2010 & June 2011

Indonesia




\$30,000,000
Senior Loan Project Finance
\$40,000,000
Syndicated Loan

Jakarta Int. Container Terminal

Arranger & Lender
December 2009


Vietnam



\$38,750,000
Senior Loan -Project Finance
Cai Lan Port

Lender
October 2010

Panama



\$90,000,000
Senior Loan- Project Finance
\$35,000,000
Syndicated Loan

MIT I, II & III

Lender & Arranger
1994, 2000 & 2005

Colombia




\$34,000,000
Senior & Subordinated Loan
\$117,000,000
Syndicated Loan

Terminal de Contenedores de Buenaventura

Arranger & Lender
August 2010


Turkey



\$20,000,000
Senior Loan -Project Finance
TCE Ege Terminal

Lender
June 2010


India



\$8,000,000
Senior Loan -Project Finance
Visakha Terminal

Lender
June 2011

Ukraine

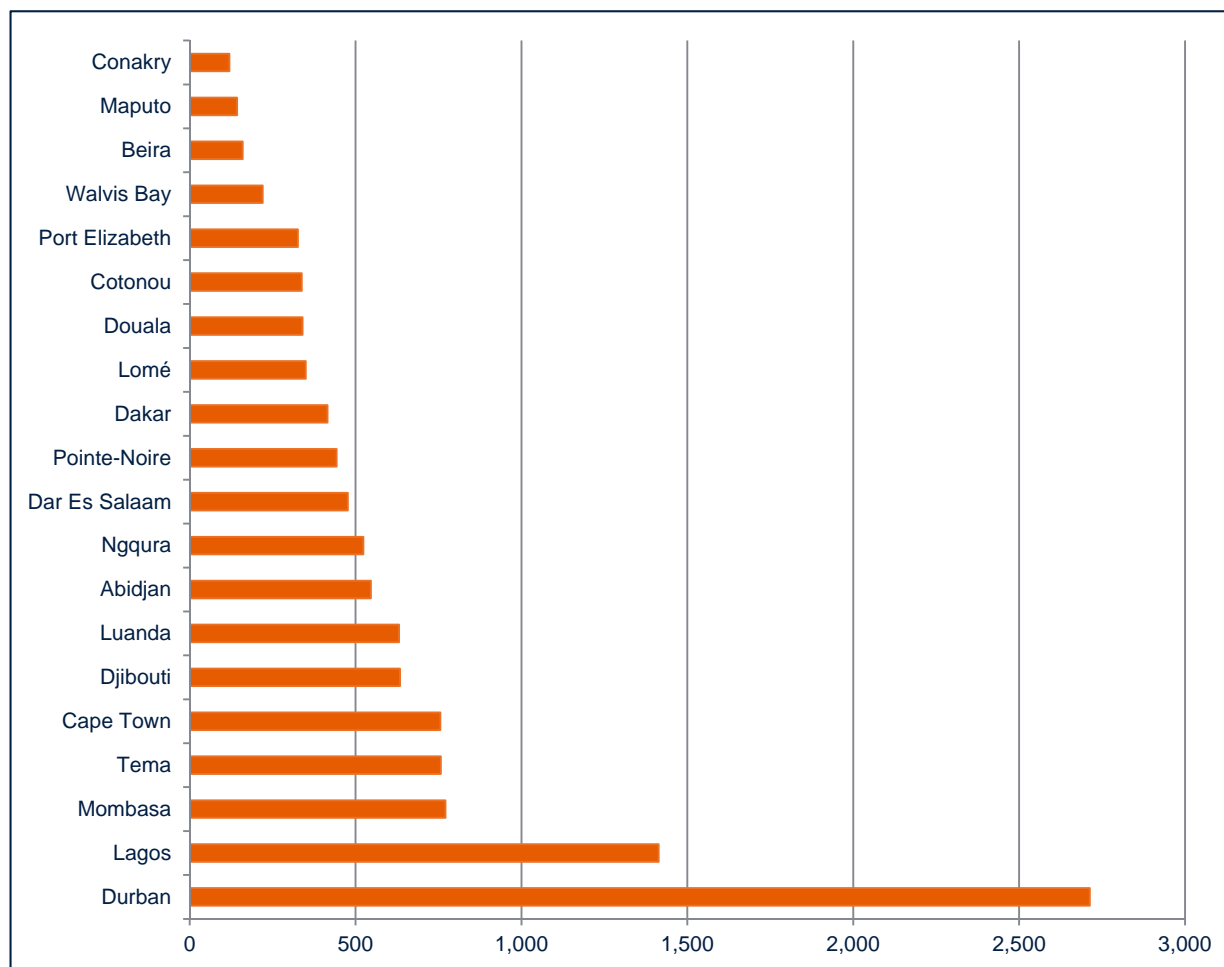


\$32,000,000
Senior Loan- Project Finance
HPC Odessa

Lender
September 2011

Amounts and dates shown as of original commitment for IFC's own account & syndication (B Loans).

PORTS IN AFRICA- SIGNIFICANT, THOUGH UNEVENLY DISTRIBUTED OPPORTUNITIES



2011 Container Traffic
(‘000 TEUs)



Financing Port Projects

ASSESSING PORT PROJECTS

Legal

- Is the port concessioned or on private land?
- Legal frameworks
 - *Need to assess underlying legal and regulatory framework*
 - *=> "Fatal flaw analysis" on legal framework (and draft concession documents)*
- Security package
 - *Mortgage, Pledge of shares, Assignment of termination compensation, Assignment of insurance*

Concessions

- Transparent award process?
- Concession Agreement quality:
 - *Termination provisions*
 - *Who, when, why and compensation*
 - *Force Majeure provisions*
 - *Definition plus rights and obligations and adjustment mechanisms*
- Lenders Direct Agreement
 - *Assignment of termination compensation*
 - *Step-in rights*
 - *Reasonable Cure Periods for events of default under the concession*
- Tariffs
 - *Some tariffs likely to be regulated (e.g. container handling fees)*
 - *Generally approved by regulator or concession counterparty*
 - *Sometimes (some) tariffs are based on market conditions (e.g. storage tariffs)*
 - *Tariff regime should be clearly defined & "fair" - transparent, independent adjustment process*
 - *Especially if direct subsidies /transfers (such as "availability" payments) are involved*
- Operational Performance Targets (if applicable)
 - *(Deadlines to complete construction; Expected capacity and/or volume targets; Quality standards during operation; Legal, environmental and safety compliance*
 - *Are targets clear, realistic and what are the consequences of non performance*

ASSESSING PORT PROJECTS



ASSESSING PORT PROJECTS

EPC Contract

- Define the scope and quality of the works, implementation timeline, mechanisms to deal with cost overruns, changes in scope, delays, defects and liabilities
- Evaluate track record and financial strength of the contractor plus the selection process, level of contingencies, performance bonds, liquidated damages, etc.

Environmental & Social

- Environmental Impacts (especially if dredging and/or land reclamation)
- Resettlement (if applicable)
- Impact on existing labor force (if applicable)

Insurance

- Is the Insurance Program appropriate and adequate?

THANK YOU!

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