



# Port financing, a strategy geared towards supporting/fostering sustainable development

Matthieu DISCOUR,

Director of Agence Française de Développement (AFD),

For Mauritius, Seychelles and IOC

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# Content

## 1. Port infrastructures at the heart of the development agenda

1. Port Infrastructure as a catalyst of economic development
  1. International trade challenges
  2. Investments and employment challenges
2. The maritime sector, an industry at the heart of climatic and environmental challenges)
  1. Environnemental challenges
  2. Climate challenges

## 2. AFD Strategy as a development agency : fostering a sustainable port industry

1. AFD, a Development Agency
  1. Port sector financing in AFD's portfolio
  2. AFD's Climate and environmental agenda
2. A paradigm shift – encouraging ports to move towards sustainable strategies
  1. Multidimensionnal analysis of port infrastructure projects : climate dimension, environmental dimension, gender issues together with the challenge of return on investments
  2. Increasing accountability

# Content

## 3. Adapted solutions for the port industry

### 1. The green port concept

1. AFD's intervention in green ports
2. Example

### 2. Our tools

1. The non sovereign financing
2. The blending strategy

# 1. Port infrastructure at the heart of the development agenda

## 1.1 Port Infrastructure as a catalyst for economic development

## 1.1.1 Maritime transport:

Backbone for international trade

- Principal mode of transport for long distance trade
  - 10 billion tons transported in 2015
  - 87% of world goods transported in volume (70% of value)
  - 600 millions containers (15% of the traffic)
- Three main types of goods transported :

Nature	World fleet	Average evolution of traffic over 30 years	Spécificities
Liquid buld	34%	+1,5%	Related to production sites (petroleum products, ores), processing (refineries, industrial units) and internal modes of transport (pipelines, railways).
Solid bulk	38%	+4,5%	
Dry goods	13% (containers)	+3,9% (+7% containers)	Very competitive

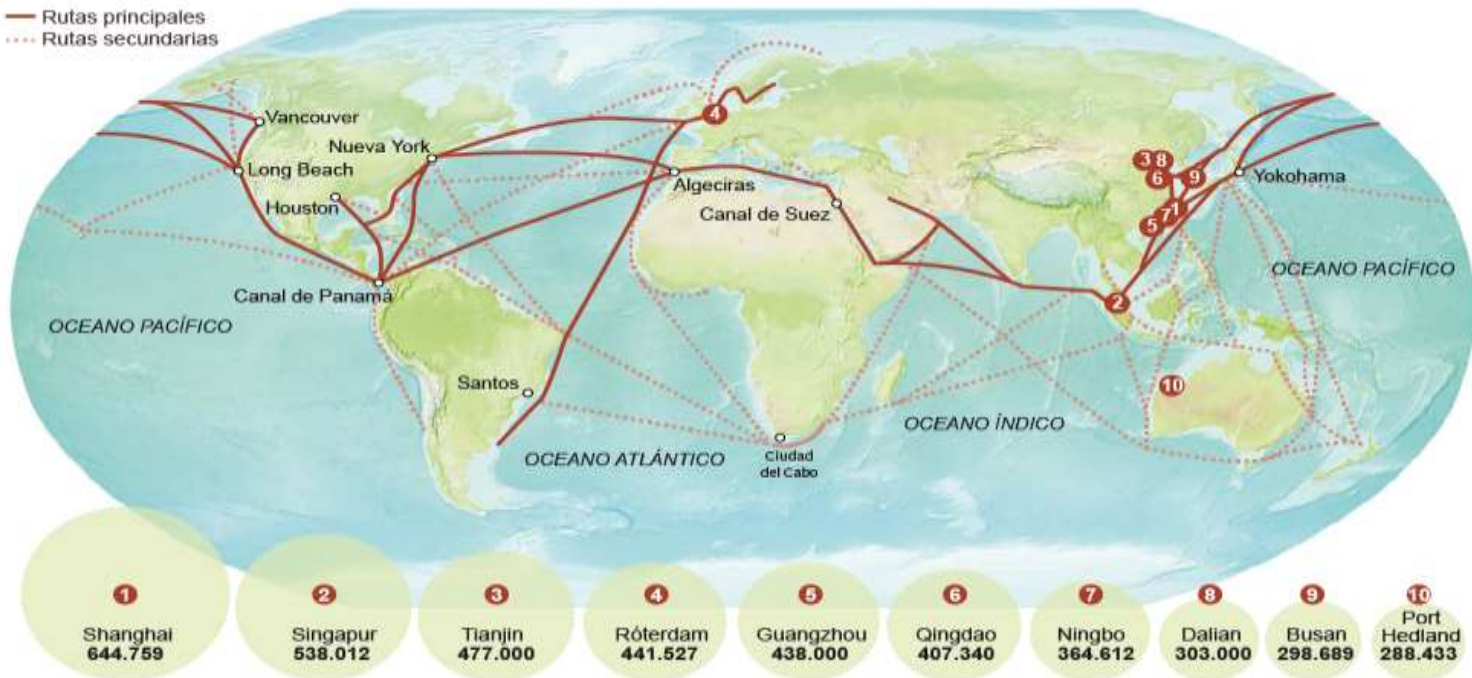
# 1.1.1 Maritime transport: Backbone for international trade

- Shipping lines and major world ports

### LOS PUERTOS MÁS TRANSITADOS DEL GLOBO

En miles de toneladas. Año 2012

— Rutas principales  
- - - Rutas secundarias



Fuente: Prof. J-P. Rodrigue, Universidad de Hofstra y Consejo Mundial de Transporte Marítimo

EL PAÍS

- Highly capitalistic sector

# 1.1.1 Maritime transport:

Backbone for international trade

## ● Advantages

- High economies of scale → massive transport at extremely low cost
- Energy-efficient and CO2-efficient (per ton transported)
- Vehicles are private → competition does exist
- Privatized infrastructures → possible mobilization of private capital and professional management
- Easily coupled with production (free zones)

## ● Disadvantages

- Slow
- Risks of monopoly in small economies
- Cost of ships and infrastructures are very high
- Local atmospheric pollution
- No flexibility

## 1.1.2. **Maritime transport:**

Investments and employment challenges & opportunities

### 1. **Growth prospects:**

- Dynamics of growth: transport cost decreases => global exchanges favored + economic development of territories => reinforced massification
- Equivalent to global growth: + 3.5% (+ 5% emerging) / year
- More dynamic on the container (1 MTEU in 2030), mainly ASI AFR

### 2. **Constant increase in the size of vessels (bulk carriers, then container ships), to reduce the cost of transport per ton transported**

- The race for gigantism (Ships: "Bougainville": 400m long - 54m wide - 240,000 tonnes - 18,000 teu)

### 3. **Risks of overcapacity:**

- Since 2000, container capacity has doubled every 7 years.
- Half of the new container ships delivered on 2016-18 have a capacity of more than 13,000 TEU (TE > 15m)
- Current problem of overcapacity and decrease in freight rates => bankruptcy of several ship-owners and consolidation of the sector (alliances)



## 1.1.2. **Maritime Transport:** Employment challenges and opportunities

- **Benefits of massification**

- The Hub & spokes model and the development of transshipment
- The emergence of new hubs like Port Louis harbour.
- The cost reduction of the mass transportation of the main lines is usually higher than the cost of feeding.

- **Local benefits of transshipment activities:**

- Job creation, even if the activity is capital intensive
- Increase in port revenues

## 1.1.2. Maritime Transport

Investment challenges and opportunities

- **Ports need to adapt themselves through terminal reengineering as shipping lines are investing in bigger ships.**
- **Length, width, and draft**
  - Depth of l'Escaut: 15 m
  - Detroit of Malacca : 21m deep
  - Suez Canal : 24 m deep
  - New locks of Panama canal : 366x49x15 (13200 TEU)
- **Adaptation is not only technical (increase in capacity), but also organisationnal for better productivity in port operations due to competition between ports.**

## **1.2. The maritime sector, an industry at the heart of climatic and environmental challenges**

# 1.2 Climate and Environmental Challenges

A non formalised concept



Two perspectives

## ■ Issues:

- Quality of air
- Quality of water
- Energy
- Waste management (ships & dredging)
- Biodiversity
- Social aspects(employment)
- integration of the port in the town
- Environmental certification and labels
- Energy efficiency and renewable energy
- Industrial ecology and circular economy
- Adaptation and resilience to climate change

## ■ The stakeholders:

- International, regional and national institutions: OMI, EU, états...
- The ship builders
- The shipping lines
- Operators / handling services
- Port authorities



Three themes

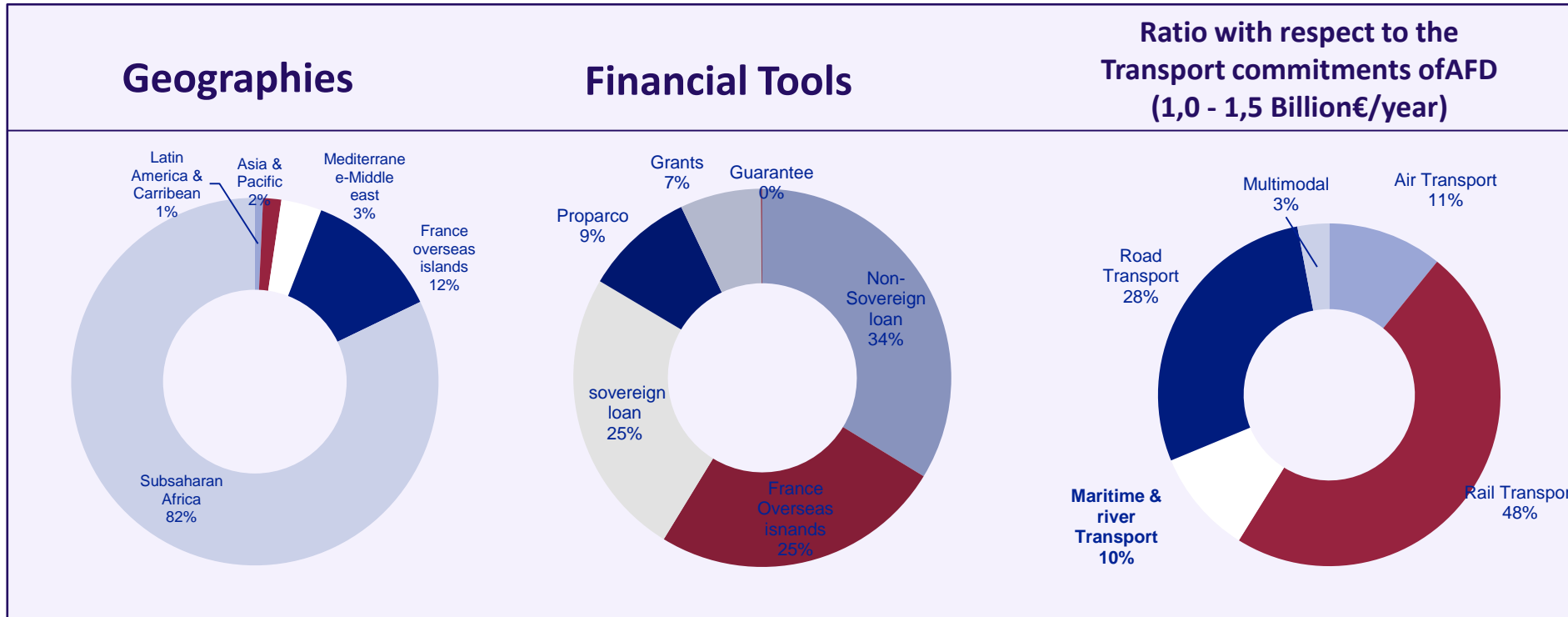
## **2. AFD Strategy as a development agency : fostering a sustainable port industry**

## 2.1 AFD, a Development Agency

- AFD is France's inclusive public development bank.
- It commits financing and technical assistance to projects that genuinely improve everyday life, both in developing and emerging countries and in the French overseas provinces.
- Through its network of 85 field offices, AFD currently finances, monitors, and assists more than 2,500 development projects in 108 countries.
- In 2016, AFD earmarked EUR 9.4bn to finance projects in developing countries and for overseas France.
- Proparco, a subsidiary of Agence Française de Développement (AFD) is devoted to private sector financing.

## 2.1.1

# AFD's intervention in the port sector 2003-2015



❑ A commitment of about 100 M€/year on average – this remains variable from year to year

❑ Rehabilitation / extension of port terminals (mainly container terminal)

❑ Handling equipments

❑ Extension/security of basic port infrastructures (breakwater & dredging)

❑ On a case to case basis : acquisition passenger vessel, rehabilitating river ports, creation of dry ports

## 2.1.1 Port sector financing in AFD's portfolio

### 1. Supporting the development of Ports around the world through investments in infrastructure and equipment.

Over and above investments in infrastructure, AFD always tries to support all requests with inhouse advisory to optimise the project and the organizational performance and quality of service of the beneficiary if need be. AFD always tries to extend the analysis or even investments outside the port area so as to better serve the hinterland.

### 2. Creating enabling environments

The objective is to foster better governance among various stakeholders. The evaluation of the impact of investments on prices and its impact on the final beneficiaries is an important element for AFD.



## 2.1.1 Port sector financing in AFD's portfolio

### 3. Support to executing agencies (Port Authorities, Cargo handling companies, etc...)

AFD will engage in intensive dialogue in the identification and implementation of high value added and environmentally friendly industrial and commercial activities that could have a positive impact on the economy. This is mainly done through master plans, creation of specific tools (free zones, ...), work on the city/port interface (tourism), ...

### 4. AFD promotes the environmental management and energy transition approaches through the "Green Ports" thematic

## 2.1.2 AFD's Climate and environmental agenda

*In 2016, the AFD Group committed € 3.583 billion of "climate" financing corresponding to a participation in the financing of 83 development projects with co-benefits in the fight against climate change and its effects. This level of commitment has significantly increased compared to 2015 (+ 22%) and brings to more than 24 billion euros the total financing of the AFD Group committed since 2005 having a co-benefit "climate".*

*With nearly € 3.102 billion of "climate" financing authorizations granted in its intervention areas in 2016, AFD (excluding Proparco) reached a level of 52% (against 55% in 2015) of "climate" grants and shows an increase in volume of 17%.*

*With € 481 million of "climate" financing authorizations, Proparco reaches its highest level of activity with a "climate" co-benefit since the definition AFD Group's climate strategy in 2012 (36% compared to 26% in 2015). These financings have mainly contributed to private renewable energy programs.*

## 2.1.2

# AFD's Climate and environmental agenda

***The three pillars of AFD climate strategy are:***

*(i) Financial commitment*

*AFD Group has committed, on the period 2012-2016, to achieve an important level of climate activity:*

*> 50% of AFD's activity in developing countries*

*> 30% of Proparco's business (private sector subsidiary) in the developing countries*

*For AFD, these objectives are declined by geography: 70% in the zones Asia and Latin America, 50% in the Mediterranean area and 30% in sub-Saharan Africa.*

*(ii) Climatic impact evaluation of projects*

*AFD Group has set up a systematic evaluation procedure the "climate" impact of projects financed by AFD and Proparco in developing countries development. All projects in direct financing must be subject of an ex-ante analysis of their level of greenhouse gas emissions greenhouse (excluding budget support, financial intermediation and capacity building) and / or their impact on adaptation the effects of change climate.*

## 2.1.2

# AFD's Climate and environmental agenda

***The three pillars of AFD climate strategy are:***

*(iii) Streaming of projects*

*The impact of projects in terms of greenhouse gas emissions is taken into account through the application of a selection grid. The eligibility criteria set enables the exclusion of certain projects for funding from AFD according to the level of development of countries and its climate policy. This grid distinguishes 3 categories:*

- ***project mitigation or "neutral",***
- ***emissive project or***
- ***highly emissive project.***

*In addition, AFD promotes the integration of "climate" best practices within the financial institutions through the Mainstreaming initiative which she is one of the initiators and lead institution.*

## **2.2. A paradigm shift – encouraging ports to move towards sustainable strategies**

## 2.2.1 Multidimensionnal analysis of port infrastructure projects

- climate dimension,
- environmental dimension
- gender issues
  
- ...together with the challenge of return on investments

→ *Example of AFD-EU support to MPA*

## 2.2.2 Increasing accountability

- In 2016, AFD finalized the preparation of its Claims Management System on environmental and social issues.
- This mechanism allows any person or any group of persons affected by any environmental or social impact of an AFD funded project to make a claim.
- For example, claims may include issues of pollution, destruction of natural resources, grabbing of land, forced displacement, conditions of work or human rights.
- That's why AFD stress the necessity of having a solid Environmental and Social Management Plan before undertaking any infrastructure project.

## **3. Adapted solutions for the port industry**

### 3.1 The green port concept



### 3.1.1

## AFD's intervention in green ports

	« Soft » intervention	Interventions in infrastructures	Port Equipment
Climate & Environment	<p><b>Environnemental Certification</b> (ISO 14001 ou PERS)</p>	<p><b>** Electric power supply to docked ships</b> (possibility of having a power station installation in the port)</p>	
Climate	<p><b>Port Single Window</b></p> <p>Improvement of processes / reducing waiting time of ships</p> <p>Energy efficiency audit</p>	<p><b>Energy efficiency of buildings</b> (new and old ones)</p>	<p><b>** Electric and automatic handling equipments</b></p>
Environment	<p>Management plans for dredged sediments</p> <p>Sustainable development plans</p>	<p><b>* Provision for LNG services</b></p> <p>Waste management works</p>	<p>Setting up of installations to recover solid and liquid wastes</p>

## 3.1.2 Indonesian EcoPort Fishing Project

- Objective: obtaining a label to be able to target new markets, in particular Europe 90 M€
- 2 pilote ports (éventuellement 2 autres)
- Partnership with North CCI (ports of Boulogne & of Dunkerque)
- Works and assistance
  - **Energy efficiency of buildings:** new ones and old ones – audit and works
  - **Label ISO 14001** – carbon footprint, cost for certification and control
  - **Rearranging the port area** - works
  - Establish and strengthen local operating bodies: example Port Council
  - Strengthen the institutional mechanism of the Ministry of Fisheries
  - Health and Safety Training for Departmental Officers of the Ministry of Fisheries
  - Technical assistance (AMO) to the Ministry of Fisheries
- Project stopped (political issues)

## 3.2 Our Tools

## 3.2.1 The non-sovereign loan

*Such loans are proposed by AFD aim at improving the accountability, management, governance and relations with the supervisory authorities of operators.*

*In addition to the traditional components of technical support for project management for the realization of investments, significant support can be offered to beneficiaries in terms of accounting and financial management :*

- 1. upstream of financing (financial projections, identification structural weaknesses, structuring of legal and financial arrangements) and,*
- 2. downstream (introduction in loan agreements of commitments to respect certain financial ratios and information and management obligations, additional support services to strengthen beneficiaries in terms of financial steering on the technical and human levels).*

## 3.2.1 The non-sovereign loan

*The aim of the non-sovereign approach is to systematically double the technical dialogue with a financial dialogue*

*This contributes to strengthening the autonomy and management skills of the company employees.*

*The very nature of the proposed financing tool is a long-term bank loan without any guarantee from the State coupled with the legal-financial conditions traditionally practiced by the banking center.*

*It enables the borrower to become more accountable and strengthen his credibility both locally and internationally.*

## 3.2.2 The blending strategy

*Blending involves the combination of grant aid and other private or public sources of finance, such as loans, risk capital and/or equity.*

*Grant aid (or grant equivalent) provided can take a number of forms:*

- *direct investment grants,*
- *interest rate subsidies, and*
- *technical assistance.*

*Such grant aid is intended to leverage additional non-grant financing, generally for infrastructure, to meet unmet investment needs.*

*In the Region, the EU-AFD blending has targeted several Port projects:*

- *Port-Louis (CHCL ; MPA)*
- *Port Victoria –(SPA)*

## 3.2.3 Projets réalisés ou en cours de réalisation

### Investissements du Port Autonome de Pointe Noire - Congo



#### Le projet

**Secteur :** Transport Maritime

**Pays :** Congo

**Année :** 2009

**Montant total du projet:**  
130 M€

**Bénéficiaire:**

Port Autonome de  
Pointe-Noire (PAPN)

#### Contexte

- Augmentation de la capacité du port qui est proche de la saturation en raison de l'augmentation rapide des trafics.
- Services portuaires inefficaces.

#### Contenu et financement

- Dragages pour approfondir le chenal d'accès, allongement de la digue et extension de quai, réfection de terre-pleins
- Financement de l'AFD : (i) 1 M€ pour aider au montage du projet (études préliminaires, faisabilité, aspects comptables et financiers) ; (ii) prêt non-souverain de 29 M€
- Subvention européenne (ITF) de 2 M€ pour assistance technique et 6,6 M€ de bonification de taux
- Cofinancement: BDEAC (9,1 M€) et BEI (29 M€) ; 50 % d'autofinancement

#### Impacts

- Augmentation des trafics, et la diminution de coût de manutention. TRIE 21%.
- Gain d'emploi au port.
- Amorces de réformes pour une meilleure gouvernance ; Appui à la mise en place d'un Système d'Information Portuaire

**Thank you for your attention**