

PROMOTING PPP INVESTMENTS
MENA REGION
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UNDERSTANDING PPP

- . Contractual Approach to delivery infrastructure & services
- . Traditionally those that were done by Public Sector
- . A Partnership
- . joint effort by Government & Private Sector
- . Rational Deal
- . RISK Mitigation
- . Bankability

ADVANTAGES OF PPP

- . Increased efficiencies
- . Project delivery, operations & management
- . Resources to meet needs
- . New technology made available

PPP EXPERIENCE

- . MENA PORTS ONLY 5 % OF GLOBAL PPP
- . East Asia & Pacific - 109 Ports \$19,995 million
- . Europe - 27 Ports \$2,723 million
- . Latin America - 126 Ports \$16,838 million
- . Middle East - 21 Ports \$4,868 million
- . South Asia - 46 Ports \$10,371 million
- . Sub Sahara Africa - 52 Ports \$5,734
- . Total 381 Ports \$60,488 million

PORTS PPP in MENA REGION

- . Long history of Management Contracts
- . Need to better understand Role and Responsibility of Shareholders in PPP
- . Labor Reform
- . Restructuring of legal and regulatory framework
- . Lack of active private sector participation to enhance Public Sector Performance

Ports PPP in MENA REGION

- . Reluctance of Government to let go strategic assets
- . Lack of capacity in the Public Sector to grasp benefits
- . Need to open up to private sector efficiencies
- . Is a win win for both partners

PPP TYPICAL ARRANGEMENTS

- . Landlord Port - Of the top 100 Container Ports 90 are landlord port organizations
- . Development and Expansion of Ports
- . Under the supervision of Ministry of Maritime
- . Winning Operator sets the tariff
- . Depends on clearance from port authority
- . Performance objectives are stipulated

PUBLIC PORTS IN THE REGION

- . Overstaffed
- . Overpaid
- . Inefficiencies
- . Labor issues most sensitive

PRIVATE SECTOR

- . Enhance Productivity
- . Efficiency
- . Increased access to investments
- . Management expertise
- . Overseeing operations
- . Improved maintenance

PRIVATE SECTOR DRIVERS

- . Nature of Private Sector is driven by profit
- . Motivated to improve efficiencies
- . Seek to lower costs
- . Accounting for economies of scale
- . Needs to increase volumes
- . Develops an appropriate and prudent investments for its operations to obtain profit

KEY PPP DRIVERS

- . Set traffic target volumes to incentivize the port operator
- . No guarantees are free
- . Mutual understanding between the Public and Private parties is key for the partnership

PUBLIC PRIVATE PARTICIPATION

- Public Sector influence or controlling stake
- SPV - Special Project Company
- Management or Investment Control
- Development rights for new port
- New for MENA Region

PRIVATE SECTOR PORT INVESTORS RISKS

- . Governments unexpectedly grant a concession for a port in the same market area
- . After an investor has made projections based on a given market scenario
- . Flexibility in the phasing of the capex of projects based on market needs and results

Landlord Model

- Reluctance of Governments to let go strategic assets
- Public Sector Port Authority enters in contract with individual terminals within its jurisdiction
- Allows Private Sector efficiency
- Investment to be combined with Public Sector control
- A regular income source

PORT AUTHORITIES ROLE

- . Provides and Manages common user facilities
- . Break water
- . Entrance Channel
- . Utilities
- . Roads
- . Rail Access

MODES OF PPP

- . Management & Investment Model of Existing Assets
- . Make new investments
- . In exchange for a right to use them for a specific time period
- . Ownership remains with the Public Sector
- . Private investments are made and the fixed assets are taken into public ownership
- . At the end of the time period the agreement can be extended to the same operator or reverts to the Public Sector

BANKABILITY

- . Legal environment
- . Economics
- . Technical
- . Creditworthiness

LABOR WAY FORWARD

- . ABSENT OF OUTRIGHT DISMISSAL
- . Flexible work
- . Hire Freez
- . Job Rotation
- . Retrenchment program
- . Incentives to early retirement
- . Provision of training and development programs
- . Assistance in alternative job searches
- . NEED TO BE CAREFUL THAT BEST EMPLOYEES DONT LEAVE FIRST AND DISCOURAGE A REVOLVING DOOR WHERE EMPLOYEES ARE REHIRED AFTER THE REFORM

LABOR REFORM TASK FORCE

- Representatives from Government, Port Authority, Port Customers
- Unions
- Private companies
- Arriving at acceptable agreements for all

LABOR REFORM TASK FORCE

- . Address the political sensitivity of issue
- . Government taking responsibility for initial labor restructuring
- . Government to repatriate retirement liability back to the national retirement plan
- . Private sector make some contribution

FREE HOLD PORTS

- . Part of vertical integrated transportation system
- . Mining
- . Agricultural
- . Forstery

DEVELOPMENT RIGHTS FOR NEW ASSETS

- . Private investor purchases right to build new ports assets
- . Exclusively for a fixed period of time
- . End of the time transferred to the public sector
- . Concerns on why to be given back being raised

Free Hold Vrs BOT

- . Latin Legal Tradition -
- . Seabed up to the high water mark belongs to the state
- . Higher Start up Costs-
- . Breakwater, Dredging

Doraleh Port - Djibouti

- . Opened 2008
- . In 2014 moved 785,354 TEU
- . Draft 18 meters & 1050 meters quay
- . Handling capacity of 1.2 million TEU
- . Project cost of \$396 million
- . Greenfield container terminal
- . First PPP in Djibouti
- . Djibouti Government and DP World
- . 30 Year concession

Pakistan International Container Terminal LTD Karachi - Pakistan

- . Modern Container Terminal operating Berths 6 to 9 East Wharf Karachi PORT
- . Design Draft 13.5 meters
- . Quay Wall 600 meters
- . Back UP Area - 21 hectares
- . Started Operations 2002
- . 6 Ship to Shore Cranes & 20 RTG plus 11 Reach Stackers
- . Total Investment is \$150 million
- . Annual Capacity is 750,000 teu

LESSONS LEARNT

- . On the average for all PPP renegotiations took place 2.2 years after the contract was award.
- . Larger Project sizes increases the probability of renegotiation
- . Ports have the lowest contracts renegotiated 17.6%
- . According to PPIAF Database between 1990 and 2008 6% of the PPP were cancelled
- . Water & Wastewater Sector had 37% renovations
- . Early private sector involvement in the design and award phase suggested for capacity building
- . Good contracts, governance and regulation is essential for success in PPP Projects

SUCCESS FACTORS

- Tariff flexibility
- Security to the lenders
- Termination compensation
- Lenders Step in rights
- Issues with excess labor and a legal requirement to be paid hence this cost is passed on to the port customers

PROMOTING PPP PORT INVESTMENTS IN MENA REGION

- Capacity Building
- Strengthen legal & regulatory environment
- Identify investment climate
- Greater degrees of private participation associates with stronger gains in productivity and service quality