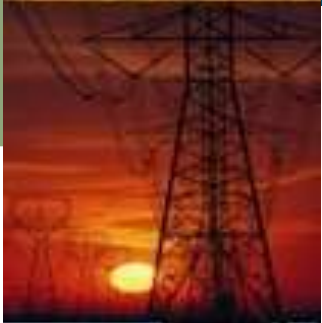




**International  
Finance Corporation**  
World Bank Group



# **IFC's Experience in Financing Ports - IFC's Financing of the Pakistan International Container Terminal**

**Cairo, Egypt  
April 12, 2010**

# 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

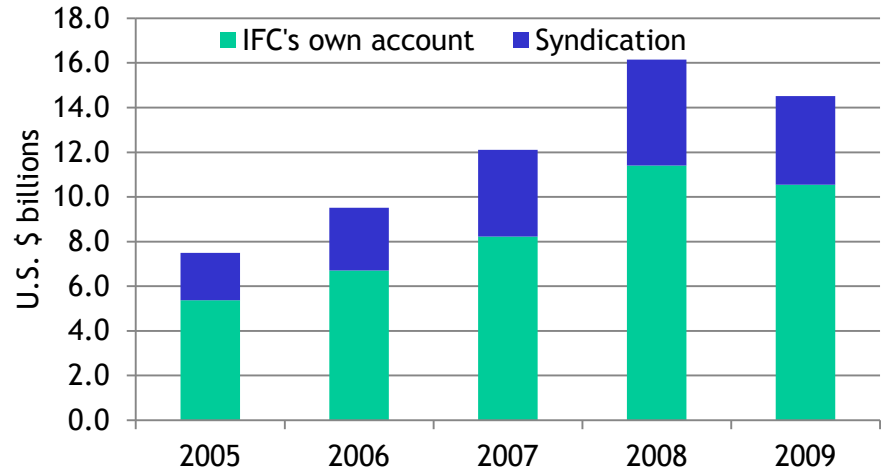
Foreign investors in member countries

- Political Risk Insurance

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

# IFC - over \$30 billion Invested in Emerging Markets since 2007

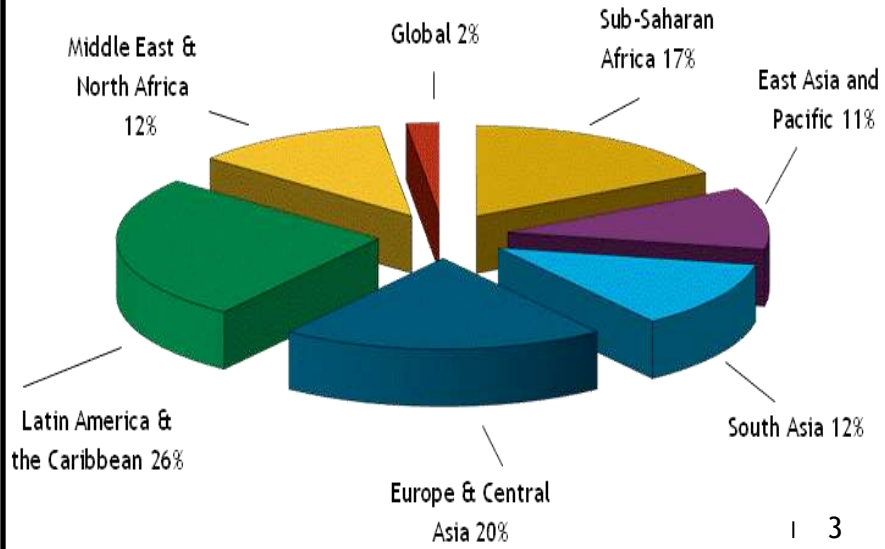
## Total committed IFC financing (FY09): US\$10.5 bil.



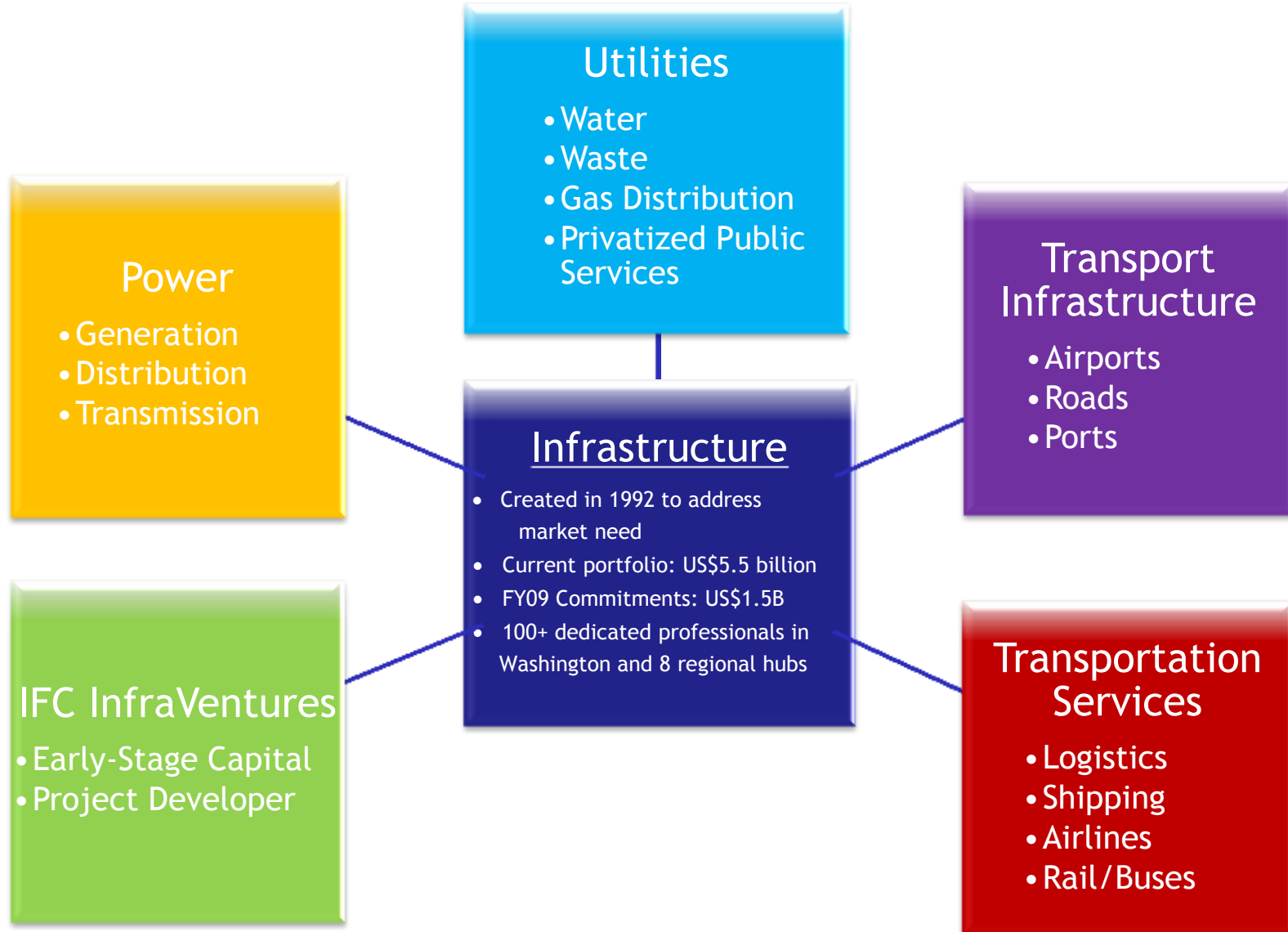
## IFC FY09 Highlights

S&P, Moody's Portfolio	AAA
Committed	\$34.5 billion
Syndicated	\$10.5 billion
# of companies	1,579
# of countries	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

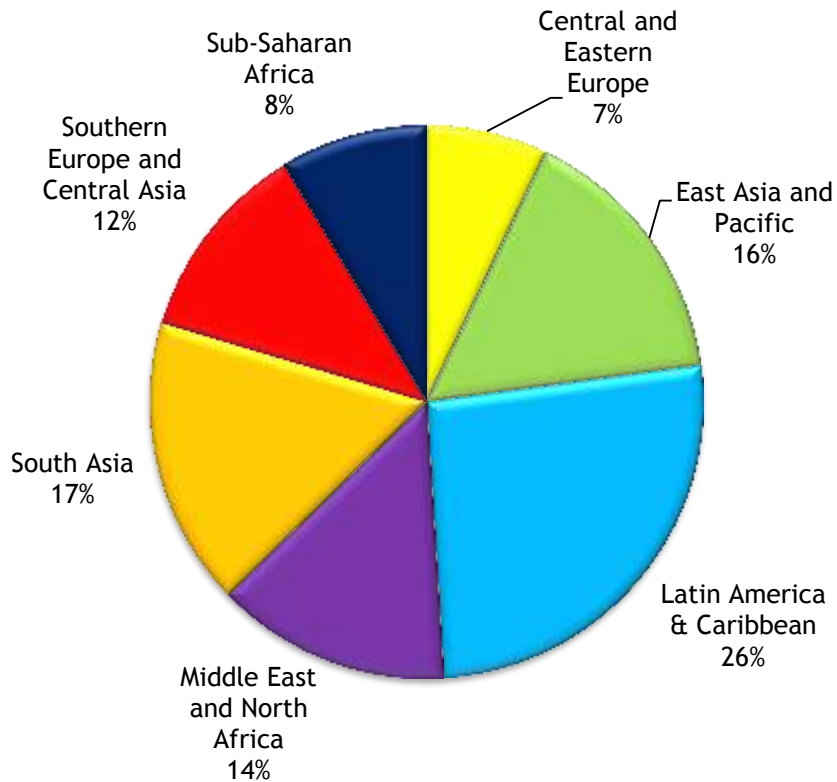


# IFC Financing in Infrastructure

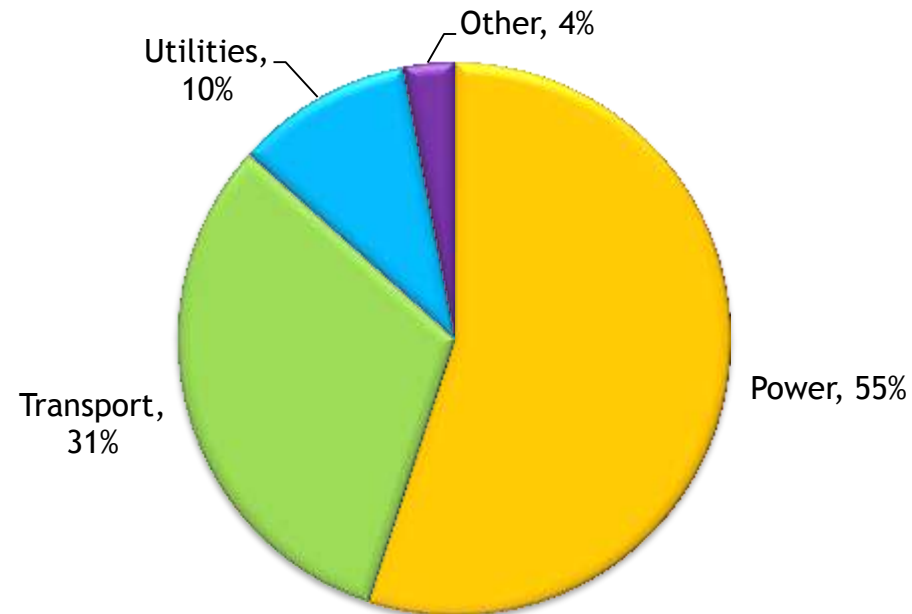


# Total IFC Infrastructure Portfolio (August 2009)

## By Region, in US\$ Billion



## By Sector, in US\$ Billion



**Total Committed Portfolio US\$5.5 Billion**

# IFC's Experience in Financing Ports

- IFC financed about 30 ports globally in emerging markets, supporting project costs of about US\$2.1 billion with IFC's own investments of about US\$465 million

	Bulk Ports	Mixed Use Ports	Container Ports	Total
Number of Projects	10	8	11	29
Region	South America, East Africa, Asia	South America, Southern Europe, Asia	South America, Southern Europe, MENA, Asia	
Project Costs (US\$ Mil.)	265	550	1,300	2,115
IFC's Own Investments (US\$ Mil.)	85	130	250	465

- 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
- Long-term lender and equity investor
- Substantial experience working with the private sector on infrastructure projects in emerging markets (over 15 years of global port financing experience)
- In-house expertise (engineering, legal, insurance, etc.)
- Leader in environmental and social issues
- Ability to mobilize financial resources; play a catalyst role for other investors and lenders

# IFC's Financing of the Pakistan International Container Terminal



# Background and Project Concept

- As part of the Government's ports privatization program, in 2002 the Karachi Port Trust (KPT, the Port Authority) awarded:
  - a 21-year BOT concession to Pakistan International Container Limited (PICT), controlled by a local sponsor
  - for the development and operation of a container terminal at berths 6-9 in Karachi Port
- The 21-year Implementation Agreement (IA) between KPT and PICT required PICT mainly to develop the container terminal under 3 phases:
  - Phase 1 - (2 ship-to-shore gantry cranes, 4 Rubber Tired Gantry cranes and other elements)
  - Phase 2 - (1 additional STS gantry crane, 2 additional RTGs and other elements)
  - Phase 3 - (1 additional STS gantry crane, 4 additional RTGs and other elements)
- Under the IA, PICT is entitled to the container terminal's revenues and makes royalty and lease payments to KPT

# Background and Project Concept

- At the time, there were 2 other main operators in Karachi Port:
  1. Karachi International Container Terminal (KICT):
    - then controlled by ICTSI, now by Hutchison Port Holdings
    - like PICT, operating a dedicated container terminal under a BOT concession from KPT
  2. KPT (the Port Authority), which was continuing to handle containers at multipurpose berths
- And also, Qasim International Container Terminal (QICT) in Port Qasim, located about 50 km south east of Karachi:
  - then controlled by P&O Ports, now by DP World
  - operating a dedicated container terminal under a BOT concession from the Port Qasim Authority

# Key Characteristics for a Port Concession Contract

- 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 Characteristics for a Port Concession Contract

- 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

# IFC's Financing of PICT

- IFC financed the 3 phases required under the IA and also a 4<sup>th</sup> phase driven by higher than anticipated growth in container traffic
- Project Cost:

	<u>Phase 1</u>	<u>Phase 2</u>	<u>Phase 3</u>	<u>Phase 4</u>	<u>All Phases</u>
Project Cost (US\$ Million)					
Civil Works	3.0	4.0	13.0	2.0	22.0
Equipment	22.9	13.0	16.0	28.5	80.4
Other	3.3	-	1.0	0.3	4.6
Total Project Cost	29.2	17.0	30.0	30.7	106.9
Capacity (TEUs)	220,000	310,000	550,000	750,000	
Completion Time				Sep-09	

- Investment costs largely in equipment given that the main port infrastructure existed
- Current PICT capacity is about 750,000 TEUs and traffic handled this year is expected to be about 580,000 TEUs



The financial crisis has had a limited impact on container traffic <sup>13</sup>

# IFC's Financing of PICT

## Financial Plan

	<u>Phase 1</u>	<u>Phase 2</u>	<u>Phase 3</u>	<u>Phase 4</u>	<u>All Phases</u>
Financial Plan (US\$ Million)					
Equity	12.2	5.0	-	-	17.2
Cash Generation	-	-	12.8	17.7	30.5
Long-term Debt					
IFC Loans	9.3	6.0	8.0	10.0	33.3
OPEC Fund Loan	7.8	6.0	3.0	3.0	19.8
Financial Lease	-	-	6.2	-	6.2
Total Long-term Debt	17.0	12.0	17.2	13.0	59.2
Total Financing	29.2	17.0	30.0	30.7	106.9

- By Phase 3, PICT was generating enough cash to help finance Phase 3 and Phase 4 investments
- IFC provided total loans of about US\$33 million for all 4 phases, with maturities in the range of 10 years
- IFC also assisted PICT to raise the remainder of the debt financing

# Market and Competition

- Four container operators in Pakistan:
  - Karachi Port: PICT, KICT and KPT
  - Port Qasim: QICT
- Karachi Port has been the dominant port with about 65% of container traffic, and Port Qasim about 35%
- Like PICT, the other private sector operators (KICT and QICT) invested in expansions to maintain their overall market share
- There has been no significant competitive advantage among the three private sector dedicated container terminals (PICT, KICT and QICT)
  - container volumes for each terminal have essentially been based on their share of container handling capacity





# IFC Bulk Port Projects (US\$ Million)

<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
<b>TOTAL</b>		<b>265.4</b>	<b>84.5</b>	<b>37.9</b>	

# IFC Mixed Use Port Projects (US\$ Million)

<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
<b>TOTAL</b>		<b>550.3</b>	<b>129.7</b>	<b>116.5</b>

# IFC Container Port Projects (US\$ Million)

<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
<b>TOTAL</b>		<b>1,322.0</b>	<b>249.3</b>	<b>23.0</b>