



# Public-Private Partnerships for Transport Infrastructure Development

## A Transformational Development Tool

Chemonics International Inc.



CARING



EXCELLENCE



KNOWLEDGE



INTEGRITY



OPPORTUNITY

# The Infrastructure Problem

---

- The lack of basic infrastructure is a major factor constraining economic growth and poverty alleviation in the developing world
- Annual infrastructure investment needed to keep up with projected growth in developing countries is equivalent to 5.5% of their GDP. For lower income countries, the target is as high as 7% to 9%

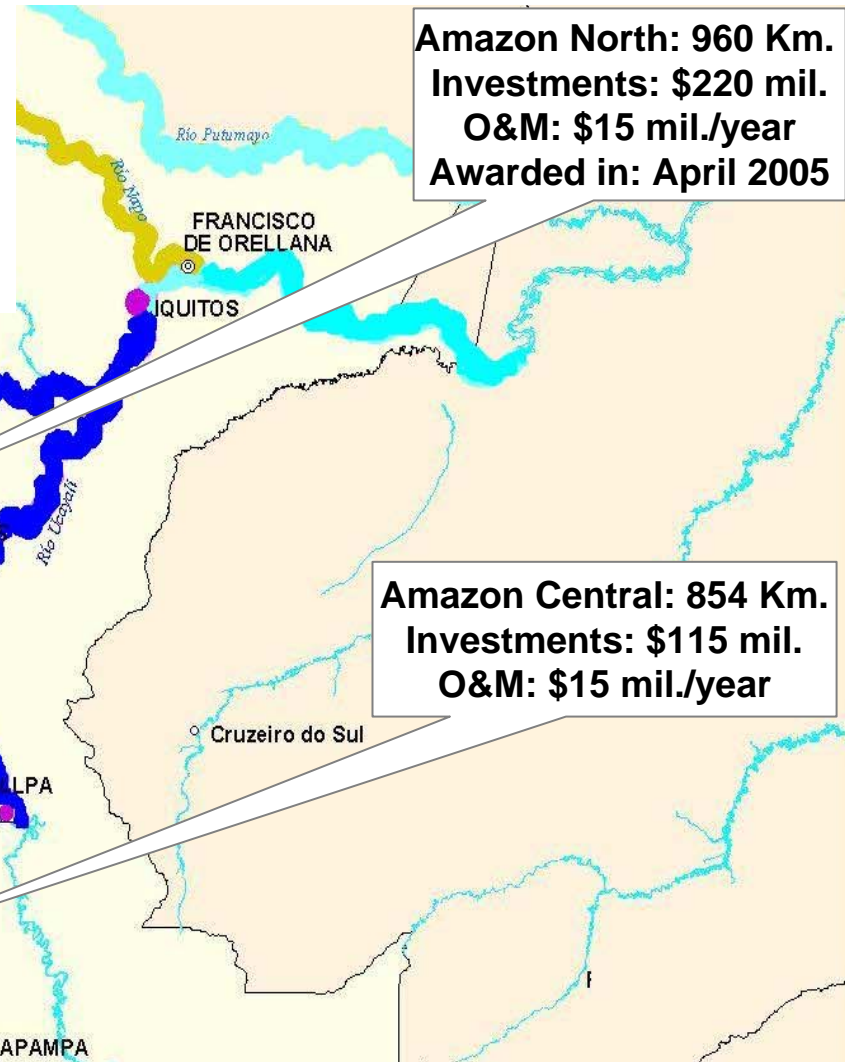
# How can Public-Private Partnerships (PPP) be Part of the Answer?

- Mobilize private capital, reducing the burden on fiscal budgets, and freeing scarce public funds for other uses
- Guarantee the provision and long-term O&M of infrastructure services that meet clearly defined physical and performance standards
- Increase the efficiency in the execution of infrastructure projects
- Enhance the technical and institutional capacity of government agencies to effectively conduct the entire project life cycle



# USAID PPP Program in Peru

**Objective:** To increase the supply of basic infrastructure services to facilitate enterprise development, improve productivity and competitiveness, and spur economic growth in key regions of Peru



**Results:** \$8 million in USAID-financed technical assistance helped leverage more than \$700 million in private investment

# USAID's Role: Assist GOP Conduct the Entire Transaction Life Cycle (Alpha to Omega)

## • Design Phase:

- Initial due-diligence,
- Technical project design, including investment estimates and O&M costs
- Demand studies;
- Risk allocation and mitigation (e.g. financial guarantees)
- Financial modeling
- Assess investor interest
- Technical, financial, and legal transaction design



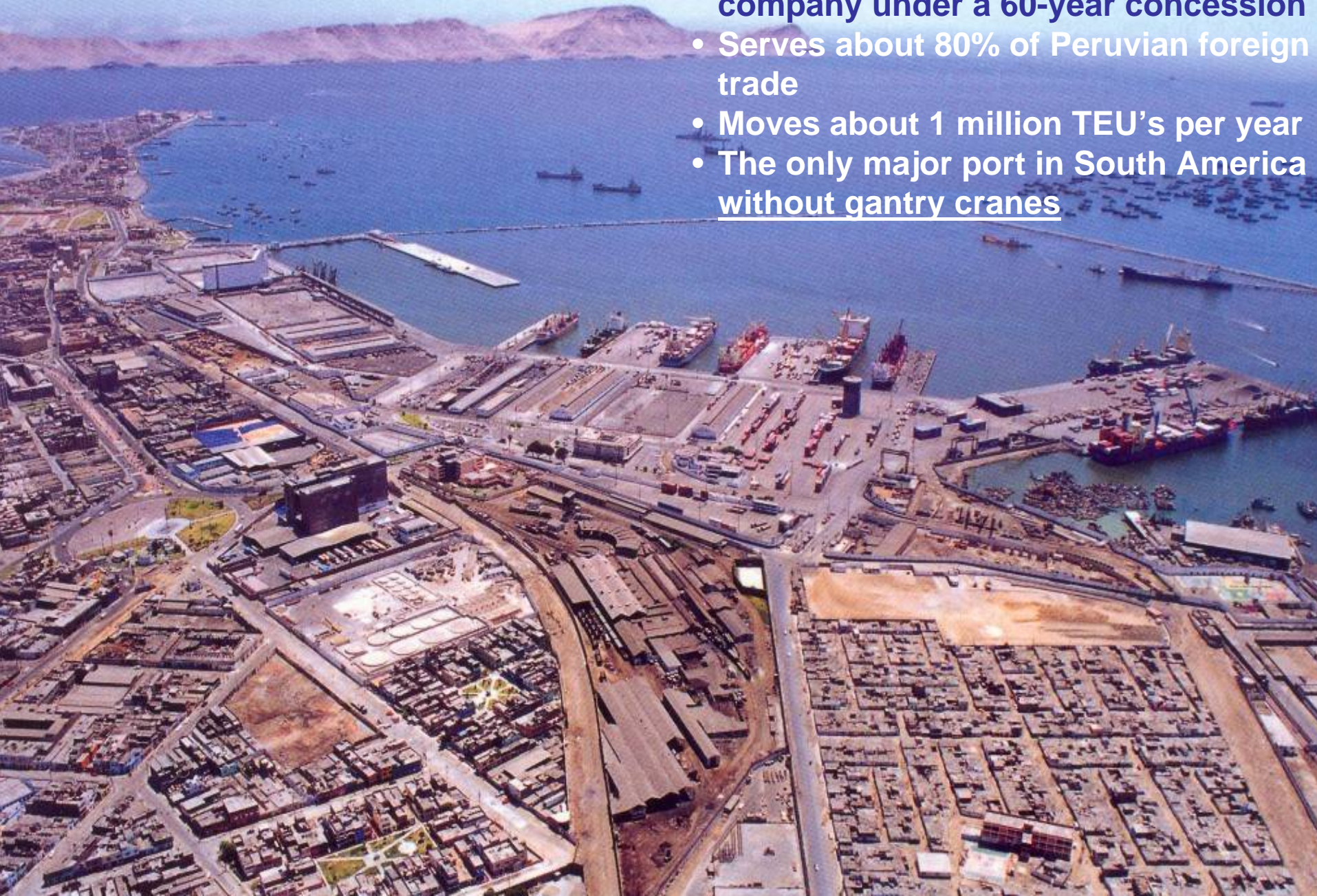
## • Implementation Phase:

- Preparation of bidding documents (Info. Memo, RFP, Contracts)
- Local and international project promotion
- Interaction with bidders and assistance conducting bidding process
- Proposal evaluation, contract award and financial closure



# Port of Callao

- Built in 1874 by a British metallurgy company under a 60-year concession
- Serves about 80% of Peruvian foreign trade
- Moves about 1 million TEU's per year
- The only major port in South America without gantry cranes



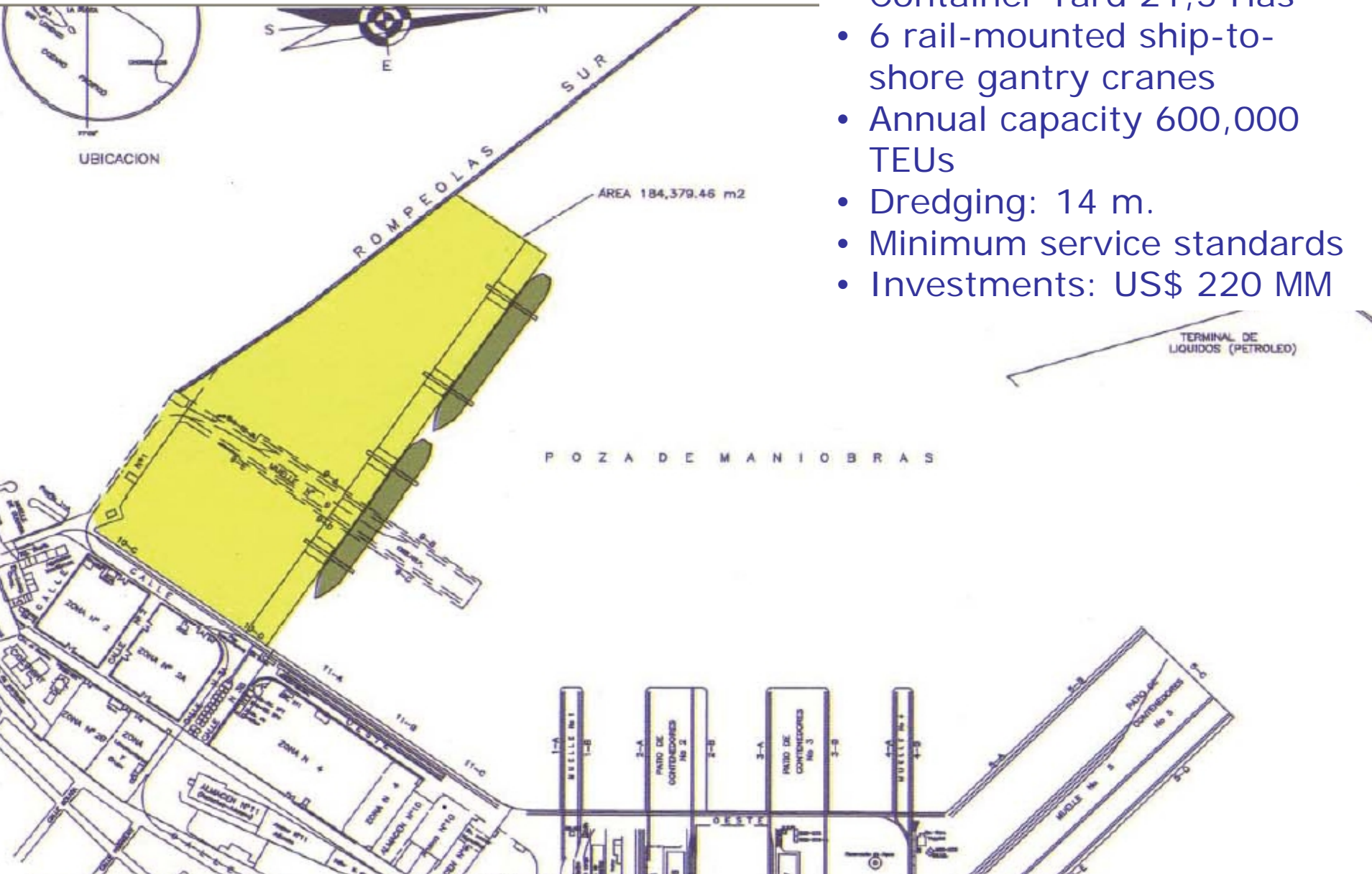
# Factors Constraining Callao's Potential: costs; time (productivity and efficiency); and assets

- **Inefficient and Costly Terminal Handling** -- Insufficient on-dock space mandates direct ship-to-truck transfer of containers and use of off-dock dry ports, which results in double handling and additional transport operations; (cost of unloading a container in Callao is \$500/TEU, compared to \$160/TEU at other ports in the region)
- **Inefficient Ship Handling/Long Ship Stay** – Lack of shore-based cranes mandates the use of slow ship's gear, resulting in long berth time for ships;
- **Ship's Waiting** -- Insufficient berth length for accommodating the 200+ m containerships, which results in ship's waiting;
- **Inability to Handle Large Ships** -- Insufficient depth hindering the accommodation of containerships of 11+ m draft; and
- **Interference by other operations with the container operation** – Mainly passenger, minerals and liquid bulk.

# The Callao Transaction

## New South Container Terminal

- 2 new berths: 600 m.
- Container Yard 21,5 Has
- 6 rail-mounted ship-to-shore gantry cranes
- Annual capacity 600,000 TEUs
- Dredging: 14 m.
- Minimum service standards
- Investments: US\$ 220 MM





# The Callao Transaction: Pre-qualification of World-Class Port Operators

---

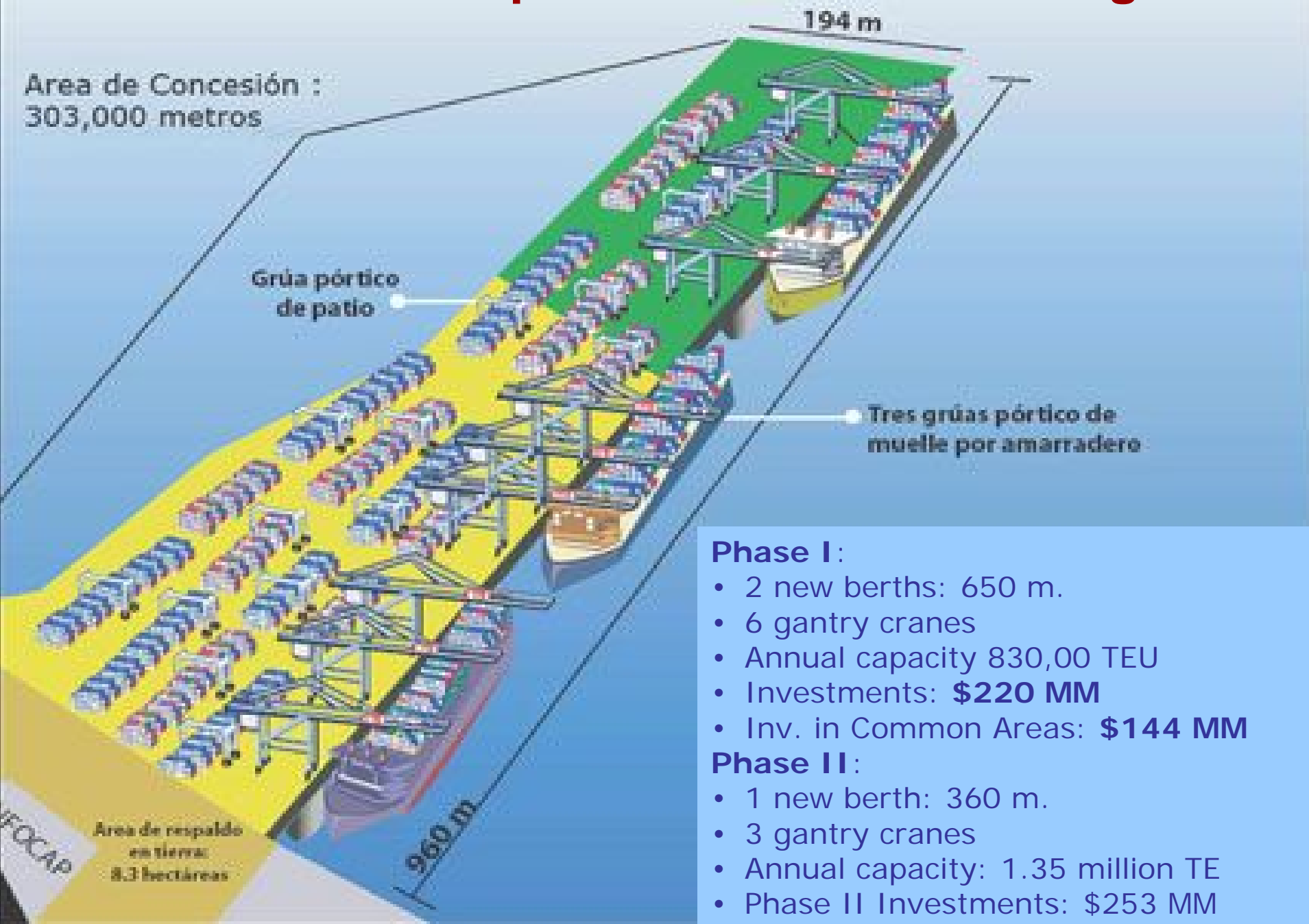
- **Pre-qualification Criteria:**
  - **Current operation: 2'500,000 TEU/year**
  - **Be the exclusive operator of a container terminal handling 500K TEU/year**
  - **Be the exclusive operator of a container terminal with at least 600 m of berth length**
  - **Financial net worth of at least \$200 million**
- **Pre-qualified bidders:**
  - **P&O Dover / Dubai Ports Internacional/ Uniport S.A.**
  - **Consortium Dragados-Ransa (from Spain and Peru, respectively)**
  - **HC Limited (Hutchinson from Hong Kong )**
  - **International Container Terminal Services (ICTS from the Philippines)**

# The Callao Transaction: Selection Process

---

- **Criteria 1:** The lowest tariff index consisting of the following rates:
  - **Standard Ship Services: US\$ 0.70 per meter of the Ship Length/hour**
  - **Standard Cargo Services. 20' container: US\$90; 40' container: US\$135**
- **Criteria 2:** Additional investments in common port areas
- **Winning Bidder:** P&O Dover / Dubai Ports International and Uniport S.A.

# The Benefits of Competition: Callao's Winning Bid



# Benefits from Private Participation in the Port of Callao

---

- Initial cargo volume at the Southern Container Terminal is expected to begin at 830,000 TEUs/year, increasing to 1.35 million TEUs in about six years.
- Hundreds of millions of dollars of savings, each year, for Peruvian exporters and importers (annual savings estimated to begin at over \$330 million/year)
- Close to \$400 million in foreign investment in a new container port in the first phase
- USAID spent less than \$2 million in this transaction: but by 2013, the benefits to Peru will exceed \$2 billion

# Public-Private Partnerships a Powerful Transformational Development Tool

---

- Well structured and properly implemented PPP, are an effective and efficient tool not only to mobilize private capital to develop badly needed, economically-viable, public infrastructure, but to also ensure an efficient provision of services and to guarantee long term sustainability



# Factors for Success

---

- The Right USAID Approach:
  - Promote vigorous, open, and transparent competition
  - Provide Technical Assistance for entire project life-cycle: “Alpha to Omega”
  - Multiple PPP Program rather than “one-off” transactions
  - Partnership with government counterparts
- Strong Political Commitment
- Favorable investment climate and strength of domestic Capital Markets