

# Caribbean Development Bank Seminar

## Infrastructure Development through Public Private Partnerships (PPPs)



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# Overview

- **Significant investment needed in improved infrastructure to underpin economic growth and development to:**
  - Improve connectivity and competitiveness
  - Improve service delivery and reliability
  - Support sustainable growth and development
  
- **Opportunities for Private Sector Participation**
  - Governments increasingly turning towards partnerships with the private sector to address these infrastructure challenges

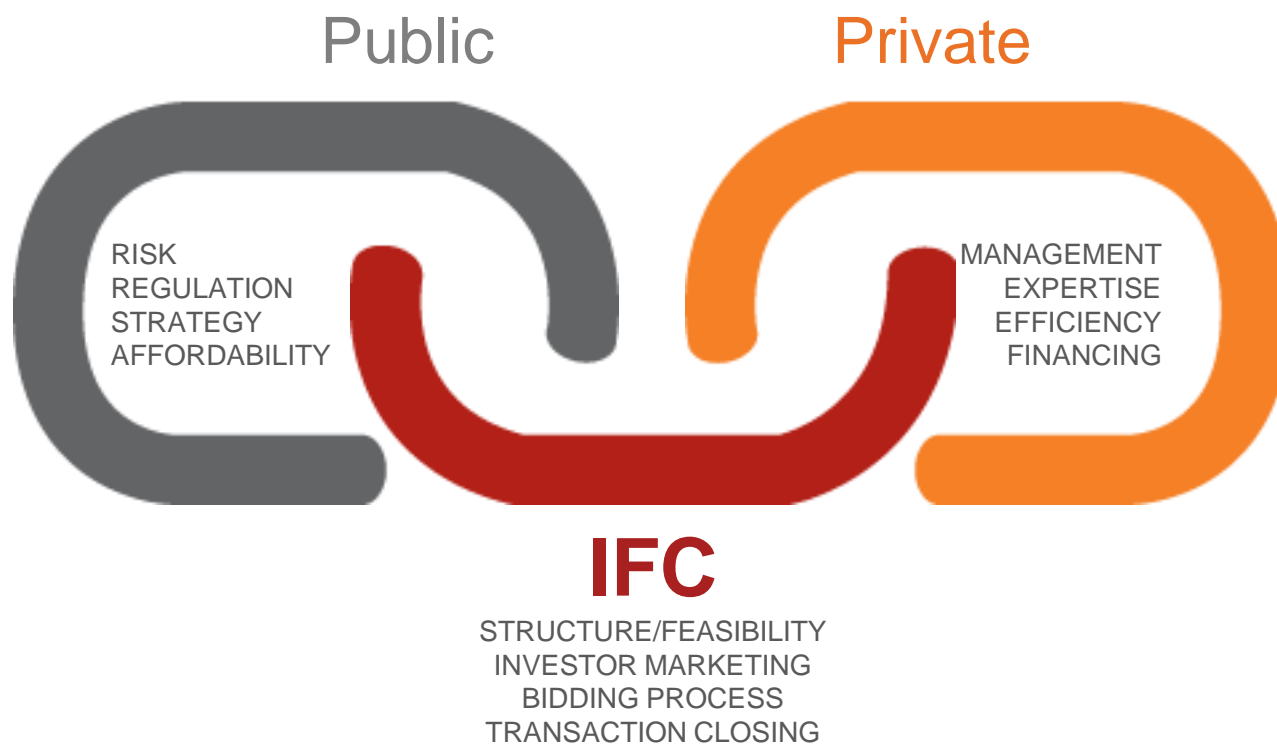
# Why PPP's?

## □ PPPs are a tool to help address the infrastructure gap by mobilizing private sector expertise and investment

- PPPs focus on performance based delivery of infrastructure and services, not only on construction
- Not just about the financing but improving efficiency by transferring risk to the private sector
- Applied in traditional infrastructure (energy, transport, water), social sectors (health & education) and new sectors (agriculture, buildings, etc.)
- PPPs are not a panacea for all infrastructure development, but can be an important tool for development



# Perfect partnership



# Opportunities and Challenges in the Caribbean

## Opportunities

- Wide range of potential PPP opportunities (Airports, Telecoms, Water & Sanitation, Energy & Renewable Energy, Health, Education)
- Global and regional private sector expressing interest in the region
- Properly structured and transparently tendered projects have the greatest chance of success

## Challenges

- Limited fiscal space may be a constraint for PPPs in some sectors
- Small country/project sizes makes it more challenging to structure viable and bankable projects, given the cost of preparatory work and monitoring
- Requires management of multiple stakeholders, including general public
- Funding to structure PPP transactions
- Need to further develop government capacity to execute PPPs

# Lessons Learned

## ❑ **Identify a strong political champion**

- Most transactions that fail are due to lack of political will

## ❑ **Engage broadly with stakeholders**

- Communicate proactively
- Conduct stakeholder analysis to understand potential resistance
- Design an effective communications program to help build support

## ❑ **Selecting the right transaction is important to success**

- Critical to assess which transactions are suited for PPP modality
- Early failures may impact future projects, hence sequencing is important

# Lessons Learned

## ❑ **Projects must be properly prepared to go to market**

- Conduct due diligence (technical, legal, financial, E&S) to assess risks
- Results of due diligence key to developing appropriate transaction structure

## ❑ **Need for proper risk / benefit allocation among private and public sector**

- Risks should be allocated where they are best borne to create value
- Attracts the right investors and ensures bankability of projects

## ❑ **Robust pipeline attractive to investors**

- Investors spend significant time and expenses to understand the region and prepare bids
- Pipeline of transactions makes this a more attractive proposition

# Key Elements for Success

## Enabling Environment / Institutional Framework

- Clearly defined objectives
- PPP legislation and policy framework to support program of transactions
- Economic Regulation – clarity reduces risk perceived by private sector
- Institutional Capacity – adequate resources to implement transactions
- Communication Program – develop understanding and generate support



# Key Elements for Success

## Transaction Design

- Market based structure
- User fees within acceptable “tolerance” levels
- Adequate public sector payment capacity – for availability payments, termination payments, guarantees/subsidies (as needed)
- Appropriate size of investment needs and type of infrastructure assets

## Bankability

- Proper risk allocation (performance risk vs. regulatory, political risk)
- Project finance structure
- Access to private financial markets on adequate terms and conditions

# IFC's record of success



Agribusiness/Food Security



Health



Power/  
Renewable energy



Transport



Water/Sanitation

Ongoing/Successful

# Impact of IFC's PPPs



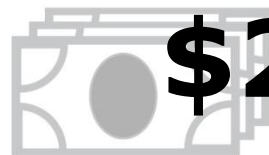
**35.5**  
million

people with first-time or improved access to education, electricity, health, sanitation, water, and other basic services.



**\$3,000,000,000**

in private investment



**\$2,000,000,000**

in fiscal benefits

# Our Contact Details



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**THANK YOU**